

March 31, 2011

VIA FEDERAL EXPRESS OVERNIGHT



Denise Roberts, Esq.
Senior Assistant Regional Counsel
U.S. Environmental Protection Agency
Office of Regional Counsel
901 North 5th Street
Kansas City, Kansas 66101

Re: Request for Information for Radiation-Standard Products, Inc. Superfund
Site at 650 East Gilbert Street and Radiation-Standard Precision, Inc.
Superfund Site at 4105-4129 Pawnee Street, Wichita, KS

Dear Ms. Roberts:

Attached is the response of NCR Corporation to the information request that Kenneth Buchholz sent under cover letter to David Traster, Esq. and me dated February 28, 2011 and received by Mr. Traster March 1, 2011.

We have information about a "person who may be responsible for the contamination at the Site," as requested on page 2 of Mr. Buchholz's letter. Raytheon Company ("Raytheon") is the successor to all the liabilities of the operator of the processes at the Sites that used radioactive materials. Raytheon's successorship results from corporate transactions that are a matter of public record. Briefly, and as summarized in my letter to you dated June 24, 2009:

- Standard Products, Inc. changed its name to Standard Precision, Inc. in 1963.
- Standard Precision, Inc. liquidated and dissolved into Electronic Communications, Inc. ("ECI") in 1965, which assumed its liabilities, ending Standard Precision, Inc.'s separate existence.
- NCR bought 97 % of ECI's common stock in 1968.
- NCR bought the remaining part of ECI it did not already own in 1971. ECI remained a separate corporation.

Larry Silver
Attorney at Law
Member CA, DC, PA Bars
lsilver@langsamstevens.com

Philadelphia Office
1616 Walnut Street, Suite 1700
Philadelphia, PA 19103-5319
T 215.732.3255 F 215.732.3260

New Jersey Office
250 West Main Street
Moorestown, NJ 08057-2365
T 856.727.0057 F 856.727.0315

www.langsamstevens.com

- NCR sold ECI to E-Systems, Inc. in 1976.
- Later in 1976, E-Systems, Inc. merged ECI into itself, assuming ECI's liability and ending its separate existence.
- In 1995, Raytheon acquired E-Systems, Inc. by merging it into a wholly-owned subsidiary, making E-Systems, Inc. a wholly owned subsidiary of Raytheon.
- In 1996, E-Systems, Inc. changed its name to Raytheon E-Systems, Inc.
- In 2001, Raytheon merged Raytheon E-Systems, Inc. into itself, assuming Raytheon E-Systems, Inc.'s liabilities and ending its separate existence.

Through these steps, Raytheon succeeded to the liabilities of ECI and its predecessors Standard Products, Inc. and Standard Precision, Inc. as a matter of black letter corporate law. If anyone is liable for contamination of the Sites, it is Raytheon. We have seen some of Raytheon's correspondence to KDHE on this issue, but nothing in it denies or refutes these facts.

Many documents relating to your questions were sent to Paul Marx, Esq. of the Kansas Department of Health & Environment (KDHE) by letters from Mr. Traster on April 29 and September 18, 2008. Together, those letters included over 200 pages of documentation. Copies are enclosed herewith.

Sincerely,
Langsam Stevens & Silver LLP



Larry Silver

cc: David M. Traster, Esq. – by regular mail

Attachment A
NCR Corporation's Response to Information Request
March 31, 2011

Objections

General Objections

1. NCR Corporation ("NCR") objects to the Information Request to the extent it seeks information that is not calculated to discover relevant information.
2. NCR Objects to the Information Request to the extent that it is unduly burdensome, oppressive, overbroad, and unreasonable.
3. NCR objects to the Information Request to the extent it seeks information protected by the attorney-client privilege, the attorney work-product doctrine, or any other applicable privilege or rule that protects such information from disclosure.

Objection to Instruction 3 and Definition 1

NCR objects to Instruction 3 and Definition 1 because NCR has no authority to get information responsive to this request from its former officers, managers or employees, or from its current or former "contractors, trustees, successors, assigns and agents."

Objection to Instruction 5

NCR objects to Instruction 5 because CERCLA § 104(e) does not authorize EPA to make a continuing information request with no end to the obligation to respond.

Objection to Definition 11

NCR objects to Definition 11 because it defines "document" to include documents over which NCR may not have custody or control. Together with Question 3, it imposes an obligation on NCR to produce documents it may not have.

Answers

NCR incorporates its Objections set forth above into each of its responses. In addition, NCR incorporates the attached documents to these requests into each of its responses as appropriate.

1. Identify the person(s) answering these questions on your behalf, including such person's name, title, affiliation, business address and telephone number.

Answer:

Larry Silver
David Romine
Langsam Stevens & Silver LLP
1616 Walnut Street, Suite 1700
Philadelphia, PA 19103
215-732-3255
Counsel to NCR Corporation

2. For each and every question and subpart, identify all persons consulted or persons who aided in the preparation of the answer.

Answer:

See answer to question 1 above, based on a review of relevant documents.

3. For each and every question and subpart, identify all documents consulted, examined, or referred to in the preparation of the answer or that contain information responsive to that question or subpart. In addition, provide clear and readable copies of the above described documents.

Answer:

See individual answers below. Documents are enclosed herewith.

4. Provide all documents showing the terms of the transfer of the Standard Precision Division of Electronic Communications, Inc. (ECI) to the National Cash Register Company on January 3, 1972. (Please refer to page 4-5 of Electronic Communications, Inc. Minutes of Meeting of the Board of Directors of Electronic Communications, held September 27, 1965, as Attachment X and General Warranty Deed dated January 3, 1972, as Attachment Y.)

Answer:

Question 4 does not state the facts precisely. On December 30, 1971, ECI declared a dividend in kind of certain assets of its Standard Precision Division. As of that date, NCR was the sole shareholder of ECI, so NCR was the sole recipient of the dividend.

As set forth in ECI's "Written Consent in Lieu of Meeting of the Board of Directors" dated December 30, 1971 (copy enclosed herewith), the terms of the dividend were as follows:

2. Declaration of a dividend on the Common Stock of the Corporation, distributable at the commencement of business on January 3, 1972, to shareholders of record at the close of business on December 30, 1971, such dividend being a property dividend in kind consisting of all of the assets held and owned by the Corporation for and in connection with the Corporation's Standard Precision Division at Wichita, Kansas, and the business conducted by such Division, as such assets exist, and in the condition in which the same exist, on said distribution date, EXCEPTING cash (in hand or in banks), cash deposits, bank accounts and securities used by the Corporation in connection with such Division, and the Agreement of Sale dated December 30, 1971 by and between the Corporation and EDO Corporation together with the assets of the Corporation conveyed or to be conveyed to EDO Corporation as therein provided and all rights of the Corporation thereunder to receive cash payments of any kind from EDO Corporation; and the authorization of the officers of the Corporation to execute and deliver on said distribution date, in the name and on behalf of the Corporation, such bills of sale, deeds, lease and patent assignments and other instruments and documents, and to do such other and further acts and things, as they may deem necessary and proper in order to effectuate the distribution of such dividend.

As the Written Consent indicates, not all the assets of the Standard Precision Division were included in the dividend. Assets, including machinery and equipment, associated with certain product lines of aircraft equipment made at the Pawnee Street location were sold to EDO Corporation the same day (see Agreement of Sale, attached herewith).¹

5. Provide all documents showing the corporation for which Standard Precision was a Division when located at 650 East Gilbert Street and/or 4105-4129 West Pawnee in Wichita, KS. (See attached letter to Kansas State Department of Health dated August 14, 1967 from Standard Precision, Attachment Z.)

Answer:

The "Standard Precision Division" was a division of ECI at all times. See the following documents attached herewith:

¹ Copies of the "Written Consent in Lieu of Meeting of the Board of Directors" and "Agreement of Sale" were attached as Exhibits O and R, respectively, to David Traster, Esq.'s letter to Paul Marx, Esq. dated April 28, 2008, which is provided herewith in its entirety.

- Electronic Communications, Inc. 1965 annual report (p. 3 – “Highlights 1965”)
- Standard Precision Division letters dated December 29, 1965, July 25, 1966, November 14, 1966 and February 17, 1967, in which the preprinted “Standard Precision Division” letterhead is followed in smaller type with “Electronic Communications, Inc.”
- Standard Precision Division letters dated May 2, 1967, September 23, 1967, October 25, 1967, November 17, 1967, January 4, 1968 and May 1, 1968, in which the preprinted “Standard Precision Division” letterhead is followed similarly in smaller type with “A Division of Electronic Communications, Inc.” Note that the September 23, 1967 letter is accompanied by an “Application for Radioactive Materials License” from “Standard Precision, a Division of Electronic Communications, Inc.”
- Standard Precision Division Letters dated May 22, 1970 and June 17, 1970, in which the preprinted “Standard Precision Division” letterhead is followed similarly in smaller type with “A Division of ECI (An NCR Subsidiary).”
- Electronic Communications, Inc. “Background Information for media files,” March 1, 1970 (see final page).
- Kansas Department of Health “Inspection Reports” dated December 8, 1966 and April 21, 1970: “Standard Precision is a division of Electronic Communications, Inc.”

6. Please provide copies of the Kansas Radioactive Materials Licenses for any corporation with a name of Standard Precision, Standard Products, Standard Products, Standard Products, Inc., Standard Precision, Inc., Standard Products Company, or Standard Precision Company.

Answer:

See documents attached herewith. These documents were obtained by NCR’s counsel from the State of Kansas in 2008. They are not from NCR’s files.

7. Provide all documents declaring a dividend in kind of the Standard Precision Division owned by Electronic Communications, Inc. to National Cash Register Company on or about January 3, 1972. (Please see General Warranty Deed between Electronic Communications, Inc. as Attachment Y.)

Answer:

See Answer 4 above.

8. State the purpose of declaring a dividend in kind of the Standard Precision Division owned by Electronic Communications, Inc. to National Cash Register Company on or about January 3, 1972.

Answer:

Question 8 does not state the facts precisely. On December 30, 1971, ECI declared a dividend in kind of certain assets of its Standard Precision Division.

Contemporaneous documents indicate that the purpose of the dividend was 1) ECI was exiting the aircraft instruments and electromagnetics industry, which had been the Standard Precision Division's business that had been sold in large part to EDO, and 2) to provide NCR with a facility to "produce parts for [NCR's] various business machine products and terminals" for NCR's Data Terminals Division. NCR had no interest in entering the aircraft instruments and electromagnetics industry. Those documents, attached herewith, are:

- ECI Communicator, December 1971;
- ECI Communicator, January 10, 1972;
- undated press release: "Wichita Plant Becomes Operating Unit of NCR";²
- article in Dayton Daily News, Jan. 3, 1972; and,
- article in Dayton Journal-Herald, January 4, 1972.

9. In referring to the Meeting of the Board of Directors of Electronic Communications, held September 27, 1965, as Attachment X, who took responsibility for the liabilities of the former Standard Precisions Division that existed on January 3, 1972? Please provide all documents, including but not limited to contracts, ledger sheets, and cancelled checks showing payment of the former Standard Precisions Division liabilities after January 3, 1972.

Answer:

ECI. ECI had responsibility for the liabilities of the former Standard Precision Division on January 3, 1972, and had had them since September 27, 1965. Attachment X provides for the liquidation and dissolution in 1965 of Standard Precision, Inc., ending its separate existence, pursuant to which, as a matter of law, ECI assumed its liabilities because ECI was its sole shareholder.³ In addition, ECI explicitly assumed those liabilities as follows:

² A copy of the press release was attached as Exhibit Q to David Traster, Esq.'s letter to Paul Marx, Esq. dated April 28, 2008.

³ See N.J. Stat. Ann. § 14A:10-6 and *Arevalo v. Saginaw Mach. Systems, Inc.*, 782 A.2d 490, 499-500 (N.J. Super. Ct. App. Div. 2001) ("...the liabilities of the absorbed company accrue to the surviving corporation under both statutory and common law."). ECI was a New Jersey corporation. See also Robert C. Clark, *Corporate Law*, § 10.1 (1986): "Unless transferred or gotten rid of before the merger, all assets and liabilities of [the acquired corporation] will become assets and liabilities of [the surviving corporation], by operation of law (namely, the merger statute), when the merger becomes effective," citing Massachusetts, California, Delaware and New York statutes (emphasis in original).

(b) ECI shall assume payment of all liabilities and performance of all obligations, if any, of Standard [i.e., Standard Precision, Inc.] of every description, whether absolute or contingent.

See p. 5 of Attachment X.

In addition to any liabilities of Standard Precision, Inc. existing as of September 27, 1965, the liabilities thereafter of the Standard Precision Division were ECI's. ECI did not "take responsibility" for those liabilities, they were ECI's as a matter of law. The Standard Precision Division was not a legal entity, so the liabilities of the Standard Precision Division were necessarily liabilities of ECI. Under black letter corporate law, including the law of New Jersey where ECI was incorporated, the surviving corporation in a merger automatically assumes the liabilities of the merged corporation.⁴

ECI's 1965 annual report reflects this. Note 1 to ECI's 1965 financial statements says: "The accompanying financial statements include the accounts of the Company [i.e., ECI], Standard Precision Division (a former wholly-owned subsidiary which was merged with the Company as of September 30, 1965), and Benson Manufacturing Division ...". See ECI's 1965 Annual Report attached herewith, p. 21.

Including the Standard Precision Division's accounts in ECI's financial statements means that the Standard Precision Division's liabilities and assets were ECI's, as were the liabilities and assets of any other division part of ECI.

Those liabilities remained with ECI on and after January 3, 1972 because, as a matter of black letter corporate law, payment of a dividend does not transfer liability to the shareholders.⁵

To the extent any "contracts, ledger sheets, and cancelled checks showing payment of the former Standard Precision Division liabilities after January 3, 1972" exist, we refer you to ECI's successor, Raytheon Company to locate them. NCR does not have them.

⁴ See footnote 3.

⁵ See N.J. Stat. Ann. §§ 14A:5-30(2) (shareholders not liable for acts of corporation) and 14A:7-15 (corporations may pay dividends "in cash, in its own shares, in its bonds *or in other property* ..." (emphasis added)).

QUESTION 4

ELECTRONIC COMMUNICATIONS, INC.
(formerly ECI Merger Corp.)

**Written Consent in Lieu of Meeting
of the Board of Directors**

The undersigned, being all the directors of **ELECTRONIC COMMUNICATIONS, INC.**, a New Jersey corporation, acting without a meeting pursuant to Section 14 A:6-7(2) of the New Jersey Business Corporation Law, as amended, do hereby consent to the following action:

1. Adoption of the following resolutions:

RESOLVED, that the actions of the officers of the Corporation in negotiating, in the name and on behalf of the Corporation, for the sale to the EDO Corporation, a New York corporation, of certain inventories, machinery and equipment, tooling, and an assignment of patents and patent applications, employed by Corporation's Standard Precision Division in the manufacture and sale of "Air Speed and Vertical Speed Indicators" and "High Cost and Low Cost Fuel System Indicators" under the terms and conditions set forth in "Agreement of Sale" dated as of December 30, 1971 (the "Agreement"), be and the same are hereby in all respects approved, ratified and confirmed as actions of the Corporation;

FURTHER RESOLVED, that the officers of the Corporation, or any of them, be and they are hereby authorized and directed, in the name and on behalf of the Corporation, to execute and deliver the Agreement, one or more bills of sale, and such further and other documents and to do such further and other acts and things as may by them, or any of them, be deemed necessary or convenient further to consummate such sale and to enable the Corporation to carry out its various obligations, undertakings and agreements in connection therewith.

2. Declaration of a dividend on the Common Stock of the Corporation, distributable at the commencement of business on January 3, 1972, to shareholders of record at the close of business on December 30, 1971, such dividend being a property dividend in kind consisting of all of the assets held and owned by the Corporation for and in connection with the Corporation's Standard Precision Division at Wichita, Kansas, and the business conducted by such Division, as such assets exist, and in the condition in which the same exist, on said distribution date, EXCEPTING cash (in hand or in banks), cash deposits, bank accounts and securities used by the Corporation in connection with such Division, and the Agreement of Sale dated December 30, 1971 by and between the Corporation and EDO Corporation together with the assets of the Corporation conveyed or to be conveyed to EDO Corporation as therein provided and all rights of the Corporation thereunder to receive cash payments of any kind from EDO Corporation; and the authorization of the officers of the Corporation to execute and deliver on said distribution date, in the name and on behalf of the Corporation, such bills of sale, deeds, lease and patent assignments and other instruments and documents, and to do such other and further acts and things, as they may deem necessary and proper in order to effectuate the distribution of such dividend.

3. Establishment of an Executive Committee consisting of three (3) directors of the Corporation, as authorized in Article VII of the By-Laws, vested with the power, among other things, to determine

and establish the compensation of officers of the Corporation; and the election of Messrs. J. J. Hangen, D. E. Eckdahl and P. L. Scott as the members of said Executive Committee.

4. Adoption of the following preambles and resolutions:

WHEREAS, effective on or about December 29, 1971, Electronic Communications, Inc. (hereinafter referred to as "ECI") was merged with and into ECI Merger Corp., and all of the assets and employees of ECI were transferred to ECI Merger Corp., which then became Electronic Communications, Inc. (hereinafter referred to as the "Company"); and the Company will continue the business of ECI without interruption except for the transfer of the Standard Precision Division of ECI to The National Cash Register Company on January 3, 1972; and

WHEREAS, for a number of years prior to the merger ECI had maintained various pension plans for the benefit of its employees as follows:

- (1) The Electronic Communications, Inc. - UAW Retirement Income Plan; established as a result of a collective bargaining agreement between ECI and the International Union, United Automobile, Aerospace and Agricultural

Implement Workers of America (UAW)
affiliated with AFL-CIO, and its local 298.

(2) The Standard Precision - Machinists
District Lodge No. 70 Retirement Income Plan,
established as a result of a collective bargaining
agreement between ECI and the International
Association of Machinists and Aerospace Workers,
and its District Lodge No. 70, AFL-CIO.

(3) The Retirement Income Plan for
Salaried Employees administered under a Trust
Agreement dated April 5, 1963, between ECI and
Chemical Bank New York Trust Company, as
Trustee; and

WHEREAS, it is in the interests of the Company to
continue the said Plans in order to preserve the benefits to
the participating employees without interruption:

NOW, THEREFORE, BE IT RESOLVED THAT:

(1) The Company shall continue to maintain the
said Plans referred to above and hereby assumes the rights
and obligations of the Company thereunder.

(2) The officers of the Company be, and they
hereby are, authorized and instructed to notify the Trustees,
insurance companies and other parties involved, of the con-

tinuation of the said Plans, to execute such documents and take such action as may be necessary or convenient to effectuate the foregoing resolution.

5. Adoption of the following resolutions:

RESOLVED, That the officers of this Corporation, or any one or more of them, are hereby authorized to open a bank account or accounts from time to time with the Chemical Bank (hereinafter referred to as the "Bank"), for and in the name of this Corporation with such title or titles as he or they may designate.

That the President, Vice President-Finance, Vice President-Research and Engineering, Assistant Vice President-Finance, and Assistant Secretary of this Corporation, signing singly for amounts under \$5,000 and jointly for \$5,000 and over, and their successors in office, and any other person hereafter authorized to sign on behalf of this Corporation, are hereby authorized to sign checks, drafts, notes, acceptances, and other instruments, and orders for the payment or withdrawal of moneys, credits, items and property at any time held by the Bank for account of this Corporation, and the Bank is hereby authorized to honor any or all thereof and other instruments and orders authorized to be paid by the Bank, including such as may bring about an overdraft and such as may be payable to or for the benefit of any signer thereof or other officer or employee individually without inquiry as to the circumstances of the issue or the disposition of the proceeds thereof and without limit as to amount.

That the Bank is hereby authorized to accept for deposit for the account of this Corporation for credit, or for collection, or otherwise, any or all checks, drafts, notes and other instruments of every kind indorsed by any person or by hand stamp impression in the name of this Corporation or without indorsement.

That the officers of this Corporation or any one or more of them are hereby authorized to act for this Corporation in all other matters and transactions relating to any of its business with the Bank.

That each of the foregoing resolutions and the authority thereby conferred shall remain in full force and effect until written notice of revocation or modification shall be received by the Bank; that the Secretary or any Assistant Secretary or any other officer of this Corporation is hereby authorized and directed to certify, under the seal of this Corporation or not, but with like effect in the latter case, to the Bank the foregoing resolutions, the names of the officers and other representatives of this Corporation, any changes from time to time in the said officers and representatives and specimens of their respective signatures; and that the Bank may conclusively assume that persons at any time certified to it to be officers or other representatives of this Corporation continue as such until receipt by the Bank of written notice to the contrary.

RESOLVED, That the officers of this Corporation be and they are hereby authorized and directed to deposit the funds of this Corporation from time to time in The First National Bank in St. Petersburg, Florida subject to the Rules and Regulations of said Bank, and until further order of the Board of Directors of this Corporation, to withdraw the same from time to time upon check or other order of the Corporation and that any other individuals other than officers of this Corporation whose signatures may appear as authorized by this Board are authorized to withdraw funds in the same manner as set forth above for its officers, signed in the name of the Corporation by any one of the five individuals whose signatures appear on this card in the spaces so provided which are the genuine signatures of the individuals authorized to sign.

That said Bank be and is hereby authorized and requested to accept, honor and pay without further inquiry, all checks and other orders for the payment

or withdrawal of money deposited with said Bank in the name of this Corporation including checks drawn to the individual order of the individual(s) signing same and including also all such instruments payable or indorsed to the order of this Corporation when such checks or other orders for money shall be signed or indorsed in the name of this Corporation by the individual(s) authorized to so sign.

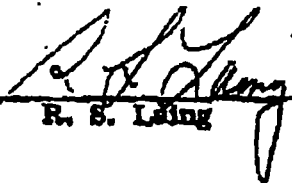
BE IT FURTHER RESOLVED, that said Corporation agrees to the Rules and Regulations printed on this card and that the foregoing powers and authority will continue until written notice of revocation has been given to said Bank.

RESOLVED, That the officers of this Corporation be and they are hereby authorized and directed to deposit the funds of this Corporation from time to time in The First State Bank, St. Petersburg, Florida, subject to the Rules and Regulations of said Bank, and until further order of the Board of Directors of this Corporation, to withdraw the same from time to time upon check or other order of the Corporation and that any other individuals other than officers of this Corporation whose signatures may appear as authorized by this Board are authorized to withdraw funds in the same manner as set forth above for its officers, signed in the name of the Corporation by any one individual for amounts of less than \$5,000 and by any two individuals for amounts of \$5,000 or more, for those individuals whose signatures may appear as authorized and which are the genuine signatures of the individuals authorized to sign.

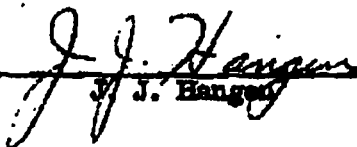
That said Bank be and is hereby authorized and requested to accept, honor and pay without further inquiry, all checks and other orders for the payment or withdrawal of money deposited with said Bank in the name of this Corporation, including checks drawn to the individual order of the individual(s) signing same and including also all such instruments payable or indorsed to the order of this Corporation, when such checks or other

orders for money shall be signed or indorsed
in the name of this Corporation by the individuals
authorized to so sign.

Dated this 30th day of December, 1971.


R. S. Laing


P. L. Scott


J. J. Hanger


C. L. Lord


D. E. Eckdahl


P. G. Hansel


J. E. Rambo

AGREEMENT OF SALE

This AGREEMENT made and entered into this 30th day of December, 1971, by and between Electronic Communications, Inc., a New Jersey corporation. (formerly ECI Merger Corp., successor by merger to Electronic Communications, Inc., a New Jersey Corporation), hereinafter referred to as "ECI" and EDO Corporation, a New York corporation, hereinafter referred to as "EDO".

WITNESSETH:

That for and in consideration of the mutual covenants herein contained, and intending to be legally bound hereby, the parties hereto do covenant and agree as follows:

1. Definitions: The parties agree to the following definitions of the terms used in this Agreement and such definitions shall apply throughout this Agreement except as may otherwise be specifically stated:

a. "Air Speed and Vertical Speed Indicators" shall mean all of such indicators manufactured by ECI's Standard Precision Division, 4105 West Pawnee St., Wichita, Kansas.

b. "High Cost and Low Cost Fuel System

Indicators" shall mean all such indicators manufactured by ECI's Standard Precision Division, 4105 West Pawnee St., Wichita, Kansas.

- c. The "Product Line Assets" mean those assets of ECI's Standard Precision plant, 4105 West Pawnee St., Wichita, Kansas and presently used by ECI's Standard Precision Division in connection with the manufacture and sale of said indicators, as follows:

- (1) All production machinery and equipment listed in Exhibit A, attached hereto.
- (2) Special tooling listed in Exhibit B, attached hereto.
- (3) All patents listed in Exhibit C-1, attached hereto, and all drawings, specifications, manuals, illustrations, technical data, know-how and other rights in ECI's possession relating to said indicators listed in Exhibit C-2, attached hereto. (all such assets referred to in this subparagraph (c) being hereinafter called "Intangible Rights").

(4) Inventories of materials and work-in-process relative to the indicators as listed in Exhibit D, attached hereto.

2. Covenant to Sell and Purchase: Subject to and in accordance with the terms and conditions hereinafter provided, ECI agrees to sell to EDO, and EDO agrees to purchase from ECI, the Product Line Assets.

3. Purchase Price: The purchase price for said indicator assets to be paid by EDO to ECI shall be the aggregate of the following amounts, payable and subject to adjustment as provided in paragraph 4.

<u>Item</u>	<u>Air Speed & Vertical Speed Indicators</u>	<u>Hi & Lo Cost Fuel System Indicators</u>	<u>Total</u>
For items described in paragraph 1 c (1), above.	\$19,000.00	\$ 7,000.00	\$26,000.00
For items described in paragraph 1 c (2), above.	12,000.00	5,000.00	17,000.00
For items described in paragraph 1 c (4), above. (Estimated amounts indicated, the actual purchase price being the price of such items, as provided in paragraph 4(c).)	17,600.00	3,500.00	21,100.00
Sub-Total	<u>\$48,600.00</u>	<u>\$15,500.00</u>	<u>\$64,100.00</u>

Royalty on all sales
for 2 year period as
described below

5%

5%

4. Terms of Payment:

- a. At closing EDO will deliver to ECI its check in the amount of \$21,360.00.
- b. 60 days after the closing EDO will pay ECI the sum of \$21,370.
- c. 120 days after the closing, EDO will pay to ECI an amount equal to the Adjusted Final Payment, which shall be calculated in accordance with this subparagraph. Not later than 45 days after the closing date, ECI shall at its own expense cause to be prepared and shall deliver to Edo a statement of the book value as of the closing date of the assets referred to in paragraph 1(c)(4), certified by an independent certified public accountant as having been prepared in accordance with generally accepted accounting principles. EDO shall have the right to examine and audit all records and books of ECI concerning such assets and such book value, during reasonable business hours. "Adjusted Final Payment" shall mean

(1) the sum of (x) \$43,000 and

(y) 80% of the book value as

of the closing date of the
assets referred to in paragraph
1(c)(4) (provided, that the
amount calculated pursuant to
this clause (y) shall not exceed
\$25,320), less

(ii) the sum of all payments there-
tofore made pursuant to sub-
paragraphs (a) and (b) above.

d. In addition to the above payments, not
later than 30 days after the end of each
of the first eight calendar quarters
ending after the closing date other than
the quarter ending December 31, 1971
(the first such quarter to end March 31,
1972 and the last such quarter to end
December 31, 1973), EDO will pay ECI a
royalty equal to 5% of the Net Selling
Price of all Air Speed and Vertical Speed
Indicators and High Cost and Low Cost
Fuel System Indicators sold by EDO during
such quarter. "Net Selling Price" shall
mean EDO's invoice price less amounts paid
by it for transportation charges and sales
and excise taxes and less refunds and dis-
counts allowed by it and actually taken by

purchasers. In this connection, EDO agrees to allow ECI the right to examine and audit all records concerning said indicator products, during reasonable business hours, covering the two year royalty period.

5. Closing: On or before December 30, 1971, a final closing will be held at the offices of Debevoise, Plimpton, Lyons & Gates, 320 Park Avenue, New York, New York or at such other place as the parties hereto may mutually agree, at which time the following transactions shall take place:

- a. EDO will deliver to ECI the payment described in paragraph 3(a), above.
- b. ECI will deliver to EDO Bills of Sale and other documents as may be necessary or appropriate in the opinion of EDO's counsel to vest in EDO good and marketable title to the Product Line Assets other than the Intangible ^{Rights} ~~Property~~ subject to no mortgage, pledge, lien, charge, security interest, or encumbrance. *JPH EBM*
- c. At the closing or as soon thereafter as possible ECI will deliver to EDO a certified copy of the resolutions of its Board of Directors authorizing this Agreement.

and the actions contemplated thereby.

- d. ECI will deliver to EDO an assignment in the form of Exhibit C-1 and an assignment in the form of Exhibit C-2.

6. Delivery of Assets: Upon delivery of the payment as set forth in paragraph 5 a, title to the Product Line Assets sold hereunder shall immediately pass to EDO. EDO shall promptly but no later than January 31, 1972, arrange for their removal and shall pay the cost of all rigging, drayage and transportation. ECI agrees to provide reasonable assistance to EDO in facilitating the movement of the assets sold.

7. Representations and Warranties of ECI: ECI represents and warrants to EDO and agrees, as follows:

- a. ECI is a corporation duly organized, validly existing and in good standing under the laws of the State of New Jersey. ECI has the corporate power and authority to own and dispose of the property sold hereunder.
- b. The information contained in Exhibits A, B, and D (attached hereto and incorporated herein by reference) is true and correct and does not omit any facts which make such information materially misleading.

c. ECI has good and marketable title to all of the Product Line Assets free and clear of all mortgages, pledges, liens, charges, security interest, conditional sale agreements, restrictions on sale, and other encumbrances.

d. ECI has no knowledge of any material latent defect or breakdown in any of the machinery, equipment or other tangible assets constituting a part of ECI's ~~the Product Line Assets~~ Standard Precision Division said indicator assets. JH. 8/6/11

e. ECI has no knowledge or notice that in conducting the said indicator business, it is, or is alleged to be infringing or conflicting with patents, patent applications, and trademarks of others. ECI has no knowledge of any actual or alleged infringement of, or conflict with, Intangible Rights, or other rights of others which might result in any material adverse effect on the conduct of such business or the use of the Product Line Assets by EDO. The design, manufacture, use and sale of the Air Speed and Vertical Speed Indicators and

the High Cost and Low Cost Fuel System Indicators by ECI on the date hereof does not and at the time of the closing will not, and by EDO from and after the time of the closing will not, violate any patent, trademark, service mark, copyright or license. All of the Intangible Rights owned or used by ECI in said indicator business are transferable to EDO and are included in the said indicator assets. The Intangible Rights will be transferred by ECI to EDO free and clear of all claims of third parties.

- f. There are no actions, suits or proceedings pending and, to the knowledge of the Officers of ECI and Standard Precision Division, there are no claims or governmental investigations pending and no actions, suits, proceedings, claims or governmental investigations threatened, and no outstanding judgment, order, writ, injunction, decree or award, which might impair the ability of ECI to perform its obligations herein contained.
- g. ECI has all necessary corporate power

and authority to enter into this Agreement and to perform the obligations to be performed by it hereunder. The execution, delivery and performance of this Agreement by ECI will have been authorized prior to the occurrence of closing by all necessary corporate action including approval by ECI's Board of Directors. The making of this Agreement and the consummation of the transactions contemplated hereunder will not conflict with any provision contained in the Articles of Incorporation or Bylaws of ECI, or result in a breach of any provision of, or constitute a default under, any agreement or instrument to which ECI is a party or by which it may be bound.

- h. All inventories of raw materials and work-in-process constituting a part of said indicator assets shall be usable in the ordinary course to produce products of merchantable grade and quality normally produced in the ordinary course of said indicator business.

- i. ECI has not employed any finder, broker, agent or other intermediary in connection with the negotiation or consummation of this Agreement, or any of the transactions contemplated hereby, or any other proposed acquisition, direct or indirect, of any assets of ECI by EDO, and ECI will indemnify EDO and hold it harmless against liabilities, expenses, costs, losses and claims, if any, arising from the employment by ECI or services rendered to ECI (or any allegation of any such employment or services) of any finder, agent, broker or other intermediary in such connection.
- j. ECI is of the opinion that this transaction is not subject to sales tax under the laws of the State of Kansas; however, if it is later determined that sales tax must be paid, EDO will reimburse ECI or directly pay to the State of Kansas any required sales tax.
- k. The transactions contemplated hereby do not constitute a "bulk transfer" within the

meaning of Article 6 of the Kansas Uniform Commercial Code, and ECI will indemnify EDO and hold it harmless against all liabilities, expenses, costs, losses and claims, if any, arising from failure to comply with the requirements of the Kansas Uniform Commercial Code which would be applicable if such transactions constituted a bulk transfer.

8. Representations and Warranties of EDO: EDO represents and warrants to ECI and agrees as follows:

- a. EDO is a corporation duly organized, validly existing and in good standing under the laws of the State of New York.
- b. EDO has all necessary corporate power and authority to enter into this Agreement and to perform the obligations to be performed by it hereunder. The making of this Agreement and the consummation of the transactions contemplated hereby will not conflict with any provision contained in the Certificate of Incorporation or By-Laws of EDO or result in a breach of any provision of, or constitute a

default under, any agreement or instrument to which EDO is a party or by which it may be bound.

- c. EDO has not employed any finder, broker, agent or other intermediary in connection with the negotiation or consummation of this Agreement or any of the transactions contemplated hereby or any other proposed acquisition, direct or indirect, of any assets of ECI by EDO, and EDO will indemnify ECI and hold it harmless against all liabilities, expenses, costs, losses and claims, if any, arising from the employment by EDO or services rendered to EDO (or any allegation of any such employment or services) of any finder, broker, agent or other intermediary in such connection.

9. Consultation: From and after closing and until June 30, 1972, EDO shall have the privilege of consulting with ECI's Standard Precision Division personnel relative to said indicator business, and such personnel shall, notwithstanding any non-disclosure agreements they may have with ECI, be free to disclose, during reasonable

business hours, to EDO and its representatives information regarding said indicator business as previously carried on by ECI's Standard Precision Division.

10. Interpretation: This Agreement shall be governed, interpreted and applied according to the laws of the State of New York.

11. EDO To Assume No Liabilities: EDO shall not, and shall not be deemed to, assume or otherwise be obligated to pay, perform or discharge ^{any liabilities or obligations of ECI} except for any possible state sales tax as contained in paragraph 7 j above, and ECI will indemnify and hold EDO harmless against, any and all loss, cost, damage or expense (including attorney's fees) incurred or accrued or arising out of events occurring in whole or in part, prior to the closing date.

12. Further Assurances: After closing hereunder, ECI from time to time at EDO's request and without further consideration or cost or expense to EDO, shall execute and deliver such other instruments of conveyance and transfer and take such other action as EDO may reasonably request more effectively to sell, transfer, assign and deliver and vest in EDO and to put EDO in possession of any of the Product Line Assets. The representations and warranties of

ECI contained herein shall survive the closing and any investigation made by EDO.

13. Non-Manufacture of Indicators: For a period of five years from closing of this Agreement, ECI shall not directly or indirectly, by itself or through any other entity or person, whether a parent, subsidiary or otherwise, engage in the design, manufacture, and/or sale of indicators of the same, or substantially the same, design as the indicators concerned in this Agreement.

14. Assignment: This Agreement shall be binding upon and inure to the benefit of the parties and their successors but shall not be assignable by either party without the consent of the other.

15. Entire Agreement: This Agreement constitutes the entire Agreement between the parties hereto with respect to the subject matter hereof and may not be changed or modified orally but only by an instrument in writing signed by the parties.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed on the day and year first above written.

ELECTRONIC COMMUNICATIONS, INC.

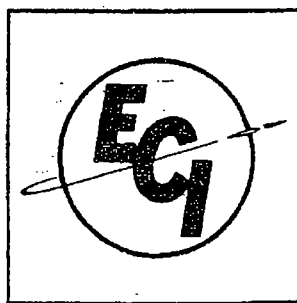
By

J. J. Hanger
EDO CORPORATION

By

Edmund B. Moore

QUESTION 5



ELECTRONIC COMMUNICATIONS, INC. / 38TH ANNUAL REPORT 1965

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ELECTRONIC COMMUNICATIONS, INC. / 38TH ANNUAL REPORT 1965

An Invitation

Stockholders are cordially invited to the Annual Meeting to be held at the General Offices of the Company, 1501 72nd St. N., St. Petersburg, Fla., at 10:30 A. M. on Thursday, January 27, 1966.

HIGHLIGHTS 1965

REPORTED net income of 77 cents per share and special items of \$1.21 per share for a record total of \$1.98 per share.

ESTABLISHED new all-time record backlog of \$42,300,000.

REALIGNED corporate structure, as Benson Manufacturing and Standard Precision subsidiaries became operating divisions.

BROADENED and diversified product lines and extended prime customer base.

CONTRIBUTED increasingly to the nation's airborne command

and control posture with communication programs not only in this country but in Europe and the Pacific.

INITIATED research and development programs directed toward the achievement of all-electronic frequency synthesis and tuning for coming generations of ECI communication systems.

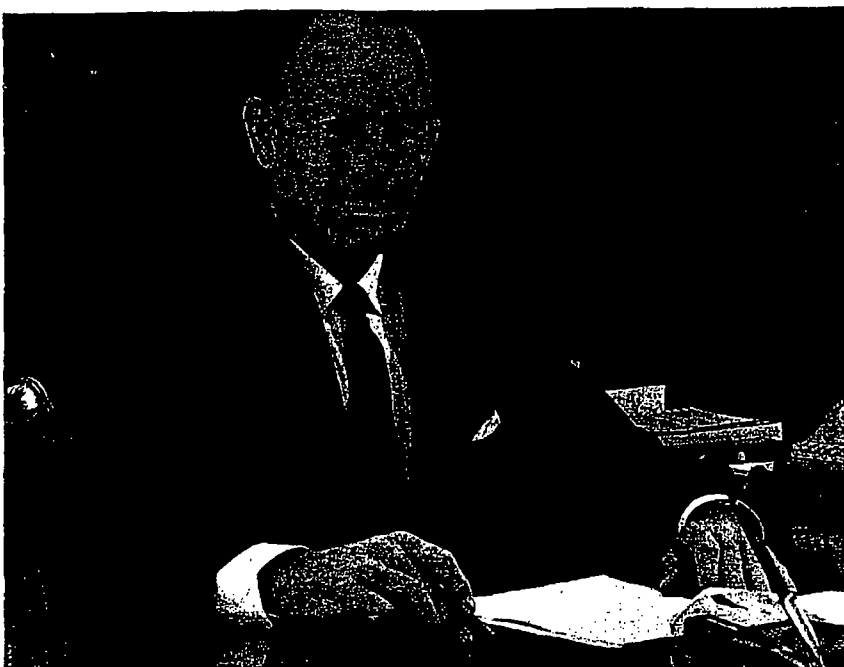
EXPANDED plant, personnel and facilities to enhance technical capability and to meet the demands of stepped-up production schedules in all divisions.

RESULTS IN BRIEF

	1965	1964
Net income per share	\$.77	\$.72
Special items per share	1.21 ⁽¹⁾	—
Net income and special items per share	1.98	—
Net sales	22,261,716	26,818,136
Income before taxes	966,009	887,389
Provision for taxes	400,000 ⁽²⁾	350,000 ⁽²⁾
Net income	566,009	537,389
Special items	862,000 ⁽¹⁾	—
Net income and special items	1,428,009	—
Backlog, September 30	42,300,000	21,800,000
Common shares outstanding	708,203	715,116

(1) Resulting largely from the elimination of deferred Federal income taxes through the expected utilization of a net operating loss carryover of a recently merged subsidiary; includes the effect of issuing 7,110 shares of additional common stock in connection therewith.

(2) After giving effect to tax credit arising from carryover of operating losses of former subsidiaries.



President's Message

St. Petersburg, Florida
November 24, 1965

To the Stockholders:

Fiscal 1965 will be recorded as a benchmark year in our Company's growth pattern. At year-end closing all indicators pointed firmly upward. Despite the year to year cycles characterizing defense and space work, that portion of our business is in a strong expansion phase dominated by new products in programs of longer than normal duration. Similarly, commercial product lines in our Midwestern divisions have broadened and customer acceptance in all divisions has been excellent. As a result, our September 30 backlog reached \$42,300,000, by far the largest in the Company's history. Hence, sales and earnings for fiscal 1966 are forecast at record levels.

Our Company now has product lines offering a greater diversification, flexibility and market depth than ever before. As recently as five years ago our efforts were largely concentrated in a single program for a single customer, representing more than 50% of our sales. Now our record backlog includes almost 300 contracts involving a wide variety of military, space and commercial programs. No single contract accounts for as much as 20% of our total business. As a result, our base is

widespread and we are no longer critically vulnerable to program cancellations and cutbacks.

The success of the Company's policy of plowing back a substantial portion of earnings into product development is especially evident at St. Petersburg, the largest of our operating divisions. As the year ended there was a step-up in production schedules involving a wider range of customers and products than ever previously realized.

The St. Petersburg Division has greatly expanded its role both in the area of command and control communications and in space programs. Technical capability has grown markedly in many areas, notably in the discipline of microelectronics. All four military services and NASA, as well as other government agencies, are represented among our customers.

On November 23, 1965, stockholders approved the merger of our Benson Manufacturing Company subsidiary into ECI, and Benson will continue to operate as a division. As a result of this merger, it is expected that the net operating loss carryovers of Benson of approximately \$2,400,000 will be utilized by the Company, which eliminates the need for our deferred Federal income taxes at September 30, 1965. Largely because of this, we are reporting for 1965 special items of \$862,000, or \$1.21 per share of common stock.

Under ECI direction during the year, Benson moved into a prime contractor position with large production orders from both the Air Force and the Army, adding significantly to its growing list of customers. Also during the year new product programs were initiated and backlog grew steadily to an all-time peak at year end. Commercial products represented a healthy percentage of the total. Despite poor performance in recent years, the outlook at Benson is very encouraging and we have high confidence in its growth prospects.

The merger of Benson into ECI was the final step in a two-part corporate reorganization. The first step was completed on September 30 with the merger into ECI of our wholly owned subsidiary Standard Precision, Inc. Now a division of our Company along with Benson and the St. Petersburg Division, Standard Precision is concentrating its efforts in aircraft instrumentation and electromechanical fields. Sales realized from new products introduced during the year have progressed well and the backlog of orders is at a satisfactory level. We believe that the Standard Precision Division can maintain a strong market position and continue to expand along with the growth in the private and business airplane market.

Our financial condition at year end is strong, placing us in an excellent position to accelerate our expansion through carefully selected acquisitions. Discussions are currently in progress with several companies.

In summary, the gains achieved in fiscal 1965 reflect the strength of the foundation laid in recent years and heighten our confidence in the growth projected for our Company in the years ahead. Our progress is due, in large measure, to the continued support of stockholders, employees, customers, suppliers and the communities in which we operate. On behalf of management as a group, I extend our appreciation.

S. W. BISHOP
President

ST. PETERSBURG DIVISION

During 1965, the St. Petersburg Division enjoyed remarkable growth in the area of command and control communications, and strengthened its role of leadership in the development and production of ultra high frequency (UHF) communication equipment.

Through the St. Petersburg Division, ECI has become the nation's dominant company in electronic systems integration for airborne command and control programs. Nine contracts of this nature are currently in progress at St. Petersburg — an outgrowth of the Division's emphasis on systems engineering and its experience with system management in command and control communication programs.

As the year ended, increased production schedules reflected the success of a continuing stress on product development. Much of the increased tempo could be attributed to wide customer acceptance of the recently developed family of miniaturized UHF transmitter/receiver sets and the new line of multiplex equipment.

In addition, ECI responsibilities in the nation's space program continued to grow, contributing substantially to the stepped-up production activity and to the record backlog of orders.

Engineering was at a high point with more developmental and system integration programs in progress than at any time in the history of the Division.

Supporting the Division's growing role in defense and space technology were expansions and facility improvements in manufacturing, marketing, microelectronics and research.

Communications for Defense

As a result of contracts received during the year, ECI equipment and technical know-how are con-

tributing increasingly to the nation's airborne command and control posture, not only in this country but in Europe and the Pacific.

The Company has been given responsibility for electronic systems integration in an airborne command post program for the European command and is producing high capacity airborne multiplex equipment for the program. In addition, ECI transmitters and receivers will be used both in the air and in mobile ground installations.

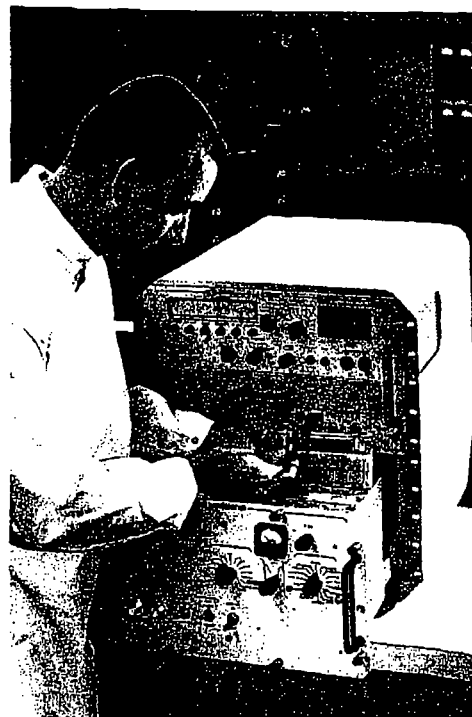
ECI equipment is being employed in airborne command posts for the Pacific command, and Company engineers have been assigned to the Pacific area to help implement this program.

Other system integration programs involve various facets of the National Military Command System, including the Airborne Command Post of the Strategic Air Command. For the latter, now in its fifth year of highly successful and uninterrupted operation, ECI continues as prime contractor and systems integrator.

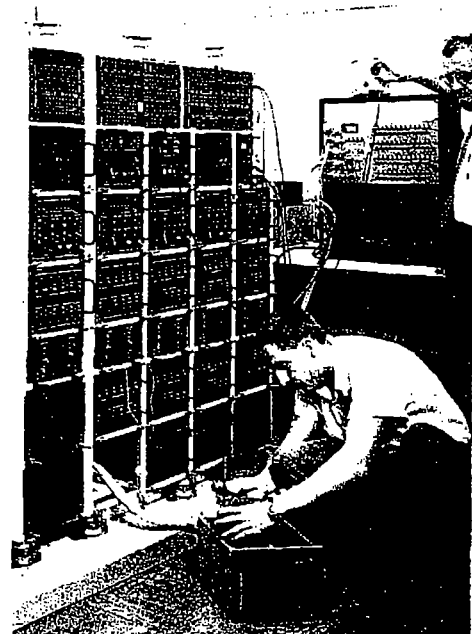
Systems integration involves all of the engineering and technical services necessary for the design, installation and testing of an overall communication system. It demands the highest degree of technical skill.

St. Petersburg's military customers now include each of the military services — the Air Force, Army, Navy and Marine Corps.

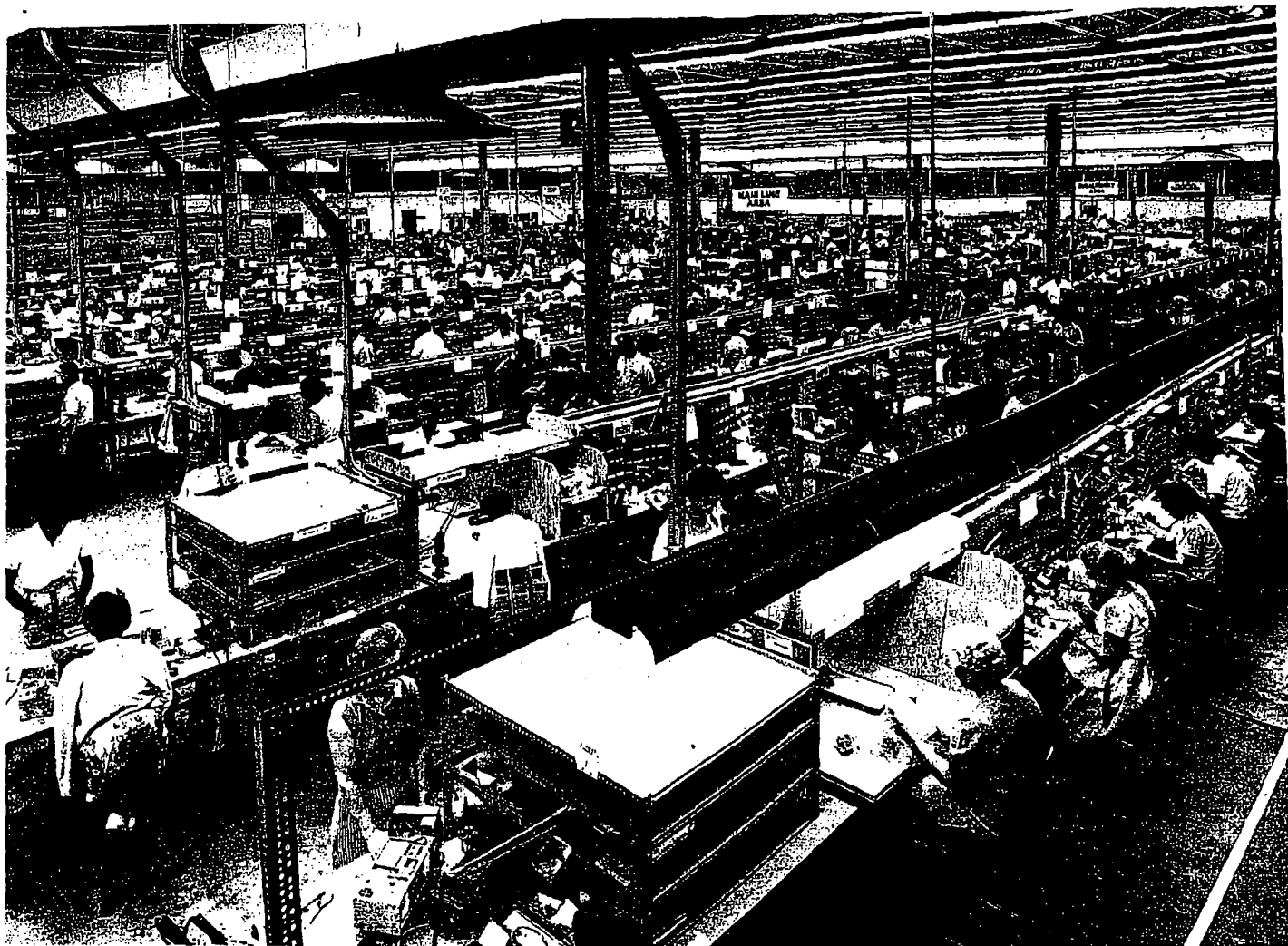
For the Air Force, in addition to electronic systems integration, the Division is producing transmitter/receivers, multiplexers and a variety of supporting equipment for the Strategic Air Command and other command and control programs. Special purpose receivers and test generators are in production for the Air Force's Minuteman intercontinental ballistic missile program.



Lightweight and compact, this 100-watt UHF radio set was developed for the United States Navy. The unit contains both transmit and receive equipment, and is all-solid state except for final power amplification stage.



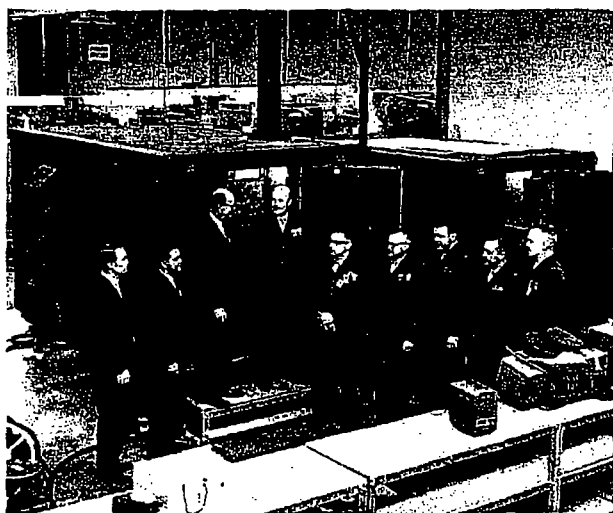
Flexibility of ECI's line of multiplex equipment was demonstrated with the development of new sets capable of handling 4, 24 and 63-channel combinations. Here, 63-channel set receives final check before delivery to United States Air Force. Multiplexing makes possible the transmission of multiple signals over a single radio frequency link.



As 1965 ended, stepped-up production schedules reflected the success of a continuing stress on product development. Shown is a portion of the 150,000-square-foot Manufacturing Building in St. Petersburg.



Command team on board SAC Airborne Command Post photographed during mission which marked completion of four full years of around-the-clock operation for this vitally important ECI communication system.



First of the transportable communication centrals (left) for United States Marine Corps is delivered in informal ceremony. Some of the high powered ECI radio equipment can be seen through the open door of the communication central.

ST. PETERSBURG DIVISION

Miniaturized transceivers are in development for the Navy and a command communication system has been provided for Navy use afloat. Under contract to the Navy, production continues for lightweight, transportable communication centrals for the Marine Corps' Tactical Data System.

For the Army, ECI is providing data relay communication systems for the Mohawk AO-1B reconnaissance aircraft.

Basic to many of these programs are the newly developed, miniaturized UHF transmitter/receiver sets and the proprietary line of all-solid state multiplex equipment.

The transmitter/receiver sets provide high performance and unparalleled reliability in power levels ranging from 50 to 1000 watts. Capable of handling both voice and data, their applications include airborne, shipboard and ground systems — yet they have a module commonality greater than 75 percent. This commonality provides the customer with significant savings, not only in initial procurement, but in spares stocking, maintainability and training. The equipment is all-solid state up to final transmitter power stages.

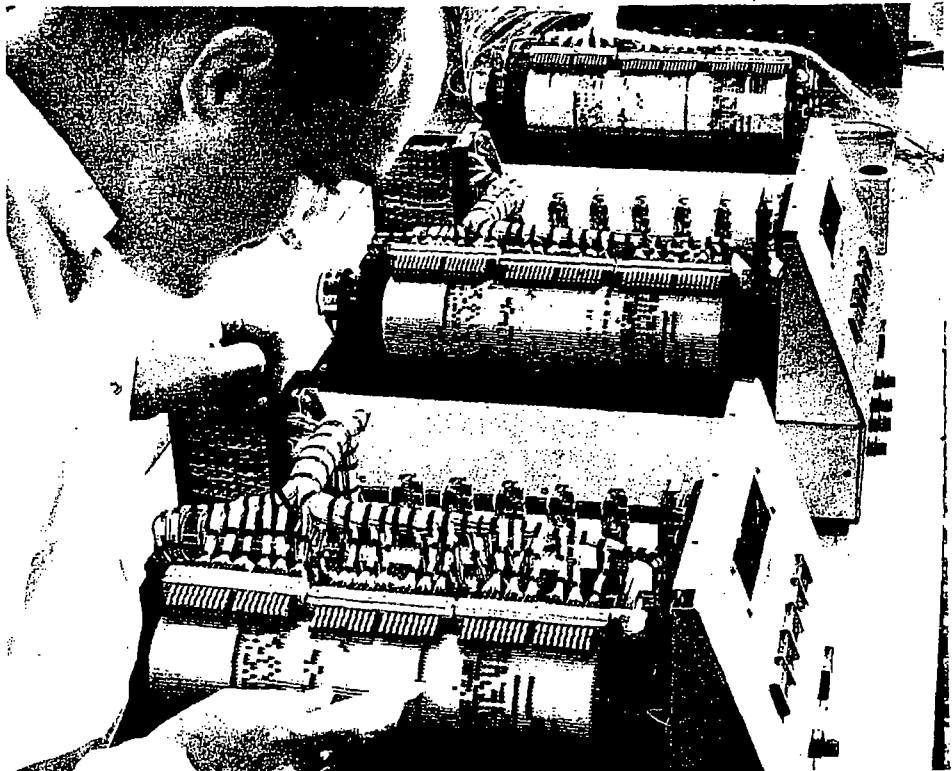
ECI multiplex equipment is designed to be fully compatible with military radio systems. The flexibility of this equipment was demonstrated during the year with the development and sale of new 4, 24 and 63-channel combinations. Previously it was available only in 3, 12 and 51-channel sets. Multiplexing is essential in high density communication systems since it makes possible the transmission of multiple signals, voice or data, over a single radio frequency link.

Also in production for defense programs are a variety of amplifiers, multicouplers, antennas, control boxes and ground support and checkout equipment.



Miniaturized transmitter for United States Air Force passes final tests and is ready for operational service. This small unit can deliver up to 1-kilowatt of output.

Test and checkout equipment for redundant relay unit in Saturn/Apollo flight control computer is inspected by ECI technician. This system is automatically programmed to insure that computer is functioning properly prior to Saturn launching. A self-verifying feature insures the accuracy of the checkout equipment.



Electronics for Space

The St. Petersburg Division was chosen by the National Aeronautics and Space Administration to investigate and demonstrate feasibility and techniques for microminiaturizing the flight control computer for the Saturn/Apollo program.

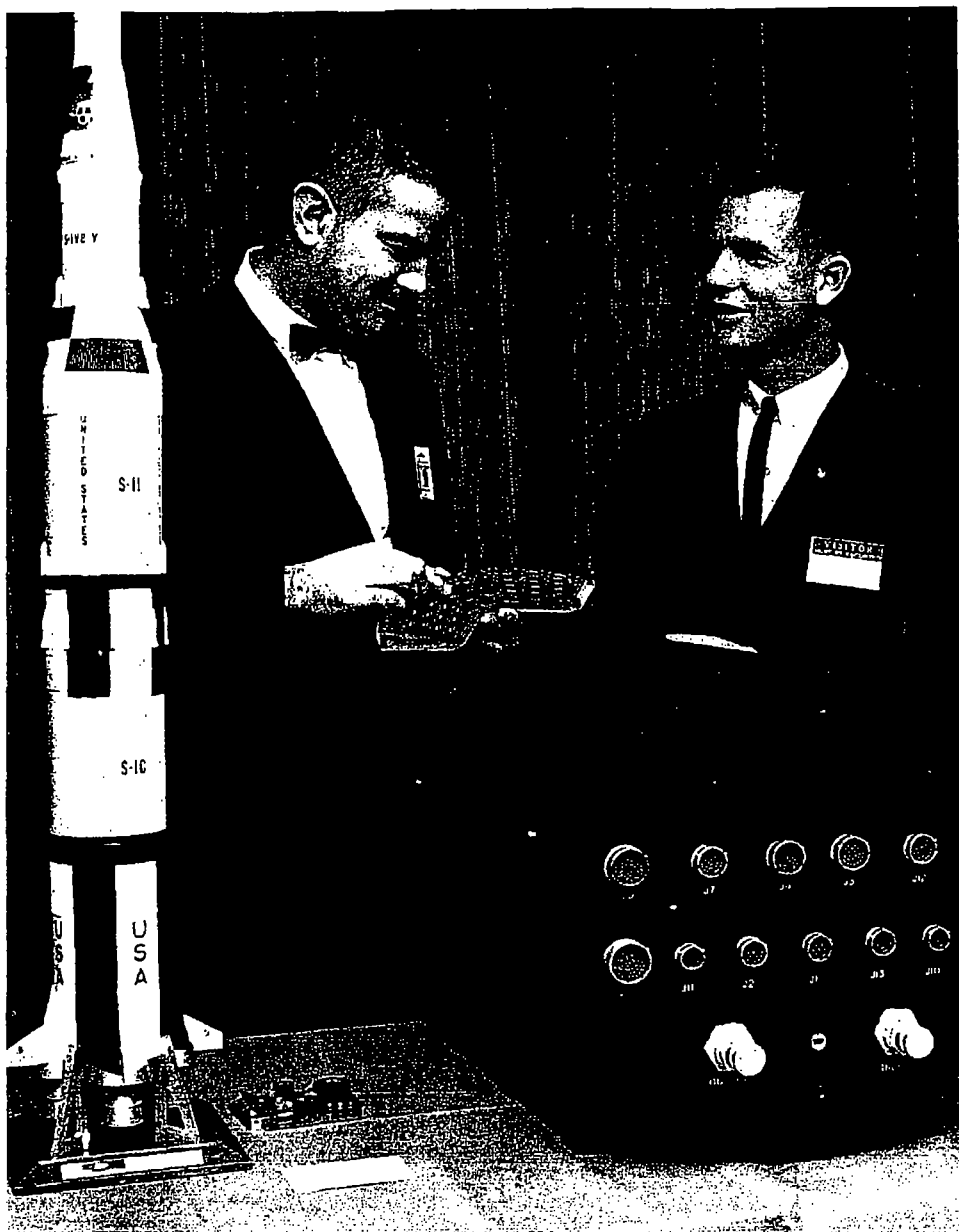
This highly significant contract was an outgrowth of the Division's growing capability in microelectronics and the performance record of ECI flight control computers in the Saturn-I program. Utilizing only the most advanced techniques, the micromin computer will be designed to the highest standards of reliability and will achieve a weight and volume reduction of more than 50 percent as compared with present computers.

With the completion of the Saturn-I program, the Division is now producing new and advanced flight computers for the follow-on Saturn I-B and Saturn V. Saturn V, in conjunction with the Apollo capsule, is programmed for the United States' first manned flight to the moon. Development of the microminaturized computer is proceeding concurrently with the production of computers for Saturns I-B and V.

The computers serve as electronic autopilots, keeping the space boosters on course by directing the gimballed engines to adjust for deviations caused by pitch, roll and yaw.

Other ECI responsibilities for the Saturn program include the production of switch selectors, amplifiers and control relay packages.

For NASA's series of Gemini space flights, an airborne automatic voice communication relay system was designed to strengthen spacecraft-to-ground communications. Installed in missile range aircraft flying out of Patrick Air Force Base near Cape



Astronaut David R. Scott (right) discusses Saturn I-B flight control computer with Space Instrumentation Manager Donald C. Colbert during visit to St. Petersburg plant. Computer is in right foreground.

Engineer checks mock-up unit of microminature flight control computer for advanced Saturn vehicles. ECI was chosen by NASA to investigate and demonstrate feasibility and techniques for reducing size of computer through application of latest microelectronic technology.



ST. PETERSBURG DIVISION

Kennedy, the ECI equipment improves both the range and performance of the communication system which relays traffic between the spacecraft and land and ship-based radio stations.

First use of the system was in a test and backup status for Gemini-5. It was pressed into service at the time of recovery and functioned to perfection.

Also in connection with Gemini, ECI power amplifiers are in use as part of the ground communication net in the Bahamas and the South Atlantic.

ECI's all-solid state telemetry transmitters have found increasing customer acceptance. When Saturn I-B makes its initial flight in early 1966, the Company's Model 503 VHF FM telemetry transmitter will become the first solid state transmitter ever to fly in a Saturn vehicle. Other advanced telemetry transmitters in various frequency ranges are in development both for the Navy and the Air Force.



Engineers check power output of advanced telemetry transmitter now in development for the United States Air Force.

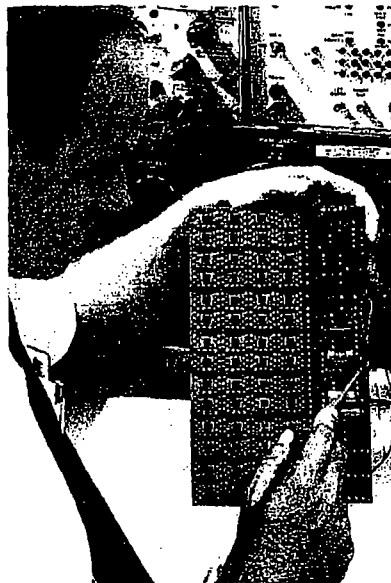
Research and Development

A new and highly sophisticated generation of ECI radio sets is in prospect as the result of research and development programs initiated at St. Petersburg during the year.

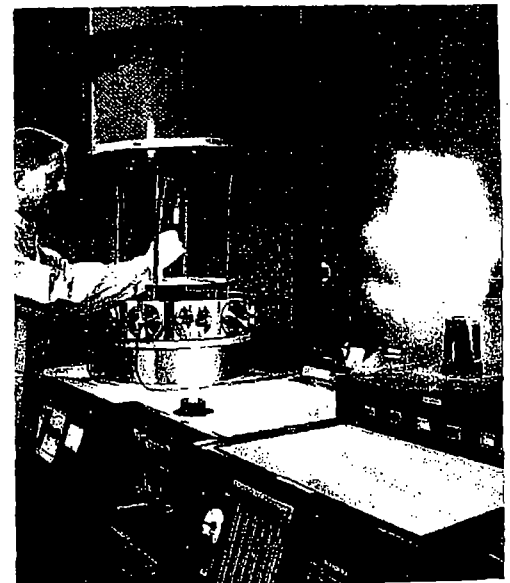
Four separate but related R&D projects were directed toward the achievement of all-electronic frequency synthesis and tuning, making possible the elimination of mechanical and electromechanical devices in transmitter and receiver equipment.

This will lead to dramatic improvements in performance, higher reliability and a substantial reduction in size and weight.

Specifically, the projects were concerned with the development



Data modem, a product of ECI research and development, is first ever designed from outset to utilize monolithic integrated circuits.



Physicist prepares thin film microcircuit through low energy sputtering techniques in new Microelectronic Laboratory. Vapor to the right is from liquid nitrogen, important to the process.

of a microminiature digital frequency synthesizer, an all-solid state core memory unit, a broadband power amplifier for transmitters and an electronic tuning system for receivers. Advanced microelectronic and digital techniques are employed in most instances, along with the latest solid state devices.

The most significant development, perhaps, was that of the digital synthesizer. All-electronic and with no moving parts, the synthesizer provides frequency generation from a single crystal reference source. This compares with 23 crystals in most existing designs. Since there are no multipliers or mixers, spurious signals are eliminated and spectral purity is insured. The new synthesizer plays an important role in transceivers now being developed for the Navy, and is expected to find broad applications in other sophisticated communication systems.

The core memory unit utilizes electronic techniques to preprogram the synthesizer and transmitters or receivers to desired radio frequency channels. It eliminates the mechanical drums, gear boxes and switches used in its conventional counterparts.

With the broadband amplifier, mechanical tuning will be required only in the final amplification stages of high power transmitters. The new receiver tuning techniques are also all-electronic.

Another R&D program led to the development of the first microminiaturized data modem specifically designed from the outset to utilize monolithic integrated circuits. A data modem is a modulator-demodulator (modem) which accepts digital data and converts it into a form which can be handled over normal voice communication channels. The modem has broad applications in UHF/VHF and microwave radio links, land-lines and carrier telephone channels.

A technique which could significantly increase the maximum communication range of many UHF radio systems was developed and demonstrated during the year. By acquiring, frequency tracking and demodulating improperly tuned or drifting signals, the equipment picks up virtually inaudible signals and makes them intelligible, thus extending the system's absolute maximum useful range. Important applications in airborne military communications are anticipated.

Currently in development are the previously-mentioned microminiaturized flight control computers for NASA and advanced telemetry transmitters for both the Air Force and the Navy.

Other developmental efforts led to a broadening of the multiplex product line, a new high power (1.5-kilowatt) multicoupler, new concepts in ground support and checkout equipment and a wide range of advances in thin film, servo-amplifier, voice switching, electronic attenuator, resonator, filter, cavity and test techniques.

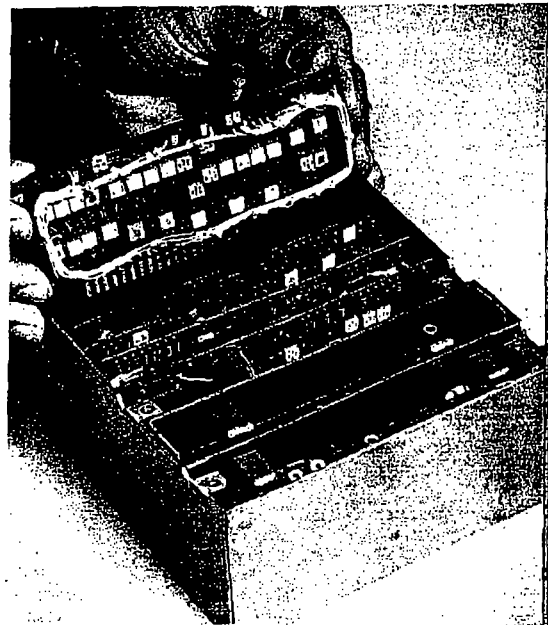
Microelectronics

The new technology of microelectronics was applied at all design and development levels during the year.

Integrated and thin-film circuits were widely used in design concepts with attendant improvements in circuit efficiency, performance and reliability. At the same time, notable reductions in size and weight were achieved.

To increase the Company's technical competence in this area, a Microelectronic Laboratory was established and became fully operational in the late summer. The laboratory will carry out research in support of present requirements and will explore new concepts in thin film and other advanced aspects of microelectronics.

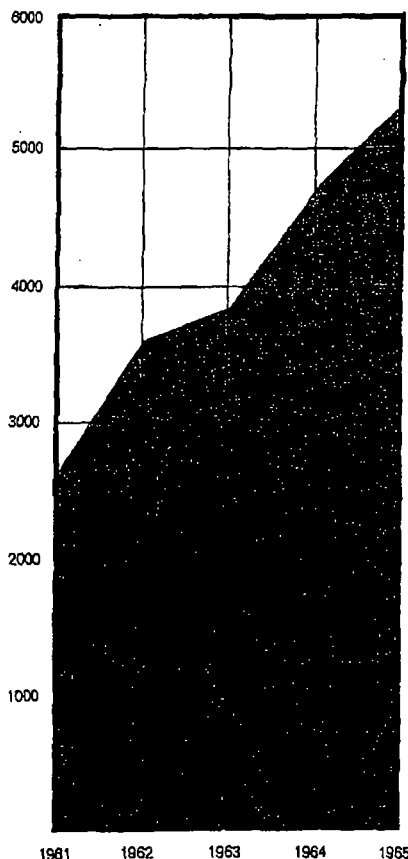
Microelectronics involves circuits and components smaller by



Digital synthesizer, a product of ECI research and development, utilizes the most advanced microelectronic and digital techniques.

RESEARCH, DEVELOPMENT AND ENGINEERING

(Dollars in thousands)



ST. PETERSBURG DIVISION

several orders of magnitude than those normally considered to be subminiature in size.

Direct applications of micro-electronic circuits and components during the year included their use in production transmitters and receivers as well as in developmental programs.

Microelectronic techniques are now investigated as a matter of routine at the outset of all design and development studies. Even in those programs where size and weight are not vital factors, microelectronic circuitry frequently is employed to attain maximum circuit efficiency and performance, along with greatly enhanced reliability.

The new Microelectronic Laboratory is concentrating initially on research in thin film techniques and hybrid circuitry for both digital and analog applications. The laboratory also has a prototype fabrication capability which provides an increased flexibility in technical development. Circuits can now be designed and fabricated in-house and on short notice.

Processes available to laboratory personnel include vapor deposition, reactive and inert low energy sputtering, electro-deposition, anodization, discrete and contact masking, gap welding, molecular bonding, photo-etching, chemical milling, mask design and fabrication, substrate drilling and cutting and hermetic packaging.

People and Plant

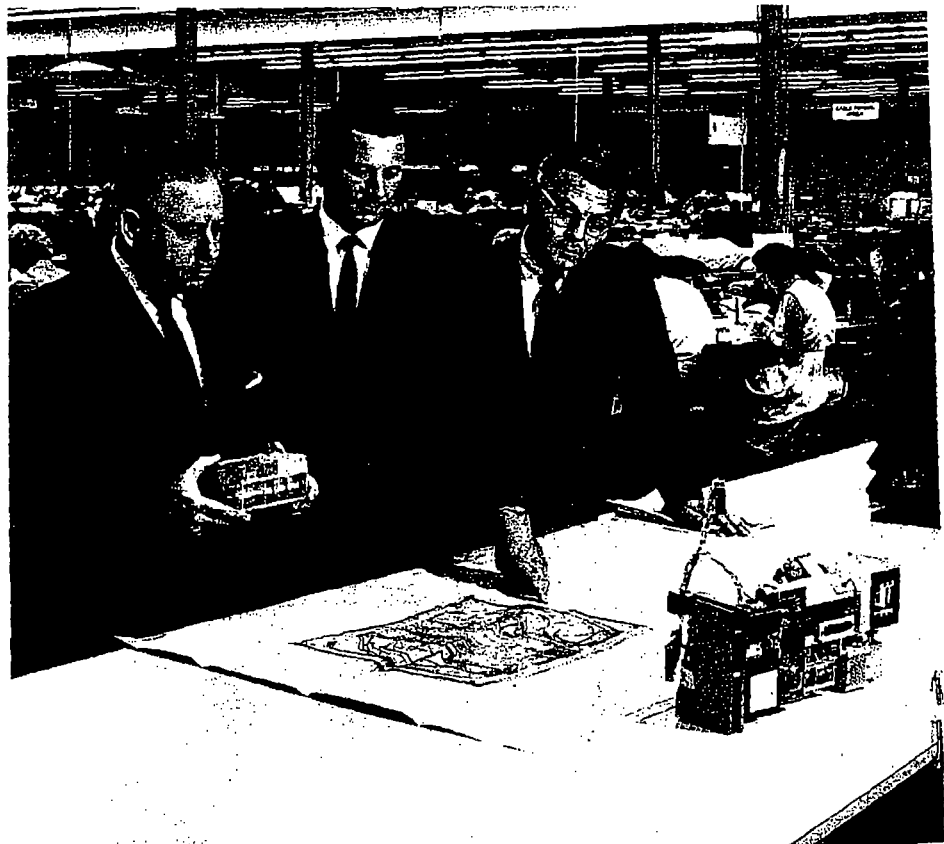
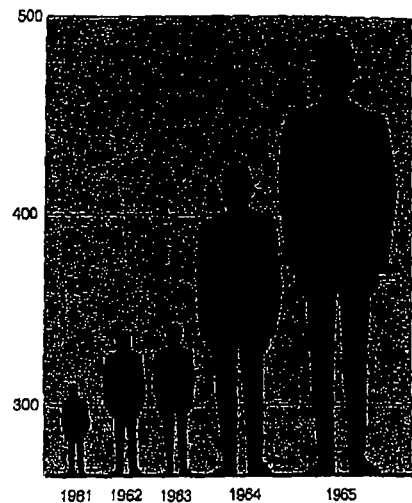
To support expanded engineering and production programs, technical and management strength was enhanced during the year and major facility improvements were achieved.

Three new divisional vice presidencies were created and filled from within the Company. The corporate Vice President-Engineering was assigned addi-



Thin film circuit is checked against master design in Microelectronic Laboratory. Microcircuits of this type are often 100 times smaller than their conventional counterparts.

ENGINEERING PERSONNEL



Three new divisional vice presidencies were created and filled from within the Company. From left are Morton S. Klein, Divisional Vice President-Program Management; Robert G. Walker, Divisional Vice President-System Requirements; Frank W. Furda, Divisional Vice President-Controller.

tional responsibility as Assistant General Manager of the St. Petersburg Division.

Other positions were established to add new capability in various technical disciplines. The engineering staff was increased by approximately 15 percent and overall employment was up by 20 percent at the year's end.

A three year contract with Local 298, United Auto Workers, AFL-CIO insured work force stability for the expansion years ahead.

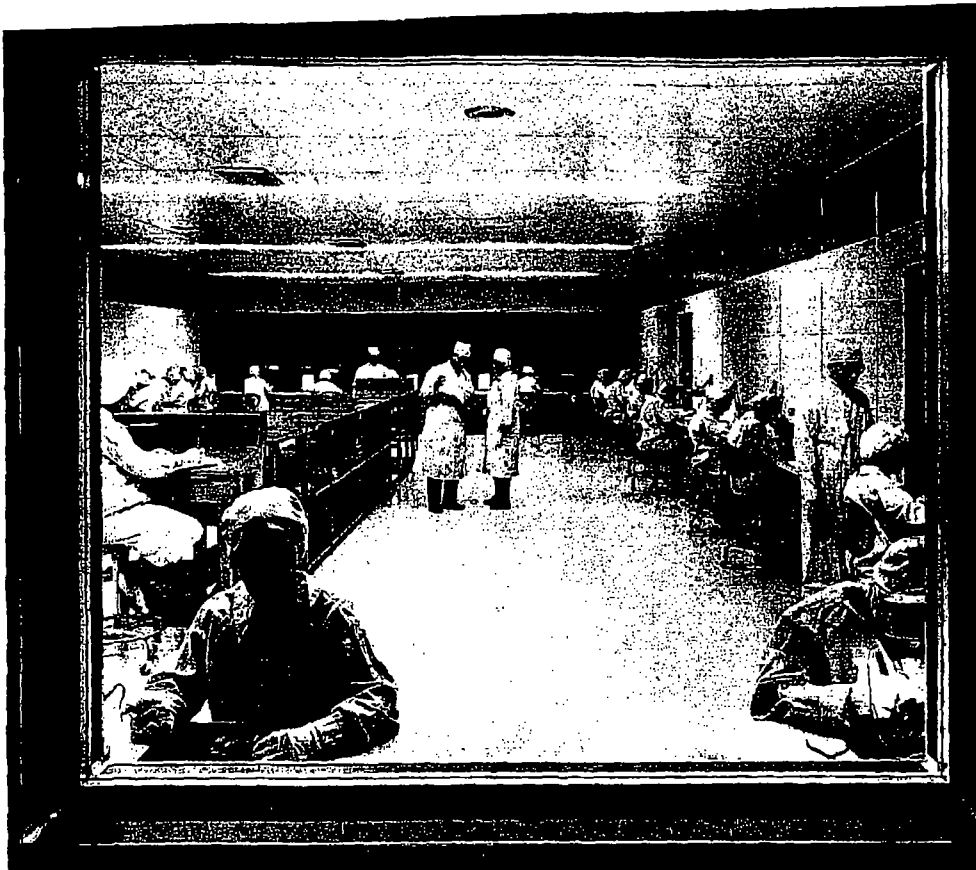
Plant improvements included the construction of four controlled environment "clean rooms"; the establishment of the Microelectronic Laboratory; an enlarged printed circuit facility; an expansion of the engineering model shop; an enlarged lobby and plant entrance and the completion of photographic and X-ray laboratories for manufacturing quality control.

Meeting Customer Needs

ECI's basic business philosophy continues to be that of anticipating future customer requirements and investing Company funds in the development of products designed to meet these requirements.

The validity of this approach is indicated with the success of such product developments as the family of miniaturized transmitter/receivers and the line of lightweight multiplex equipment. Follow-on development planning continues in radio, multiplex, telemetry and other areas.

The marketing function was reoriented during the year to strengthen this approach and to reflect the growing emphasis on communication and electronic systems. This function is now the responsibility of a divisional Vice President-System Requirements. Requirements Managers serve the specific needs of military, space and other government agency customers.



Temperature, humidity and dust are closely controlled in "clean rooms" used for NASA and Minuteman ICBM programs. Four new clean rooms were opened at St. Petersburg during the year.

Customers now include the four military services, NASA and other government agencies both in this country and abroad.

The Company continues to strengthen its position as a prime contractor and, in addition, is working closely in communication and electronic requirements with the major aerospace industries. Customers in the latter category now include such companies as Boeing, Douglas, IBM and RCA.

Efficient cost controls have resulted in substantial cost savings. These have reduced cost to customer and strengthened the Company's competitive position. They will contribute to an anticipated upward trend in earnings.

ECI is providing data relay communication systems for these Mohawk AO-1B photo reconnaissance aircraft.



BENSON MANUFACTURING DIVISION

The backlog at Benson was higher at the end of the year than at any time during that organization's 58-year history. Floor space was increased from 280,000 to 400,000 square feet with the acquisition of additional facilities.

During the year, Benson won substantial Air Force and Army prime contracts and received a wide variety of new orders for precision aerospace assemblies and components. Also, container sales expanded and additional items were added to this important commercial product line.

Defense Programs

Under the new prime contracts, Benson is producing airborne defoliant spray tanks for the Army's Edgewood Arsenal and pylon-mounted fuel tanks for the Air Force's F-105 aircraft. Both programs fully utilize Benson's capabilities for precision forming and welding of large assemblies.

Other new defense programs involve complex metal components, blowers and heat exchangers for helicopters, fixed wing aircraft, missiles, Navy ships and ground vehicles.

These include support assemblies for helicopter-mounted grenade launchers, gun pods for fighter aircraft and helicopters, turbine and cooling blowers for HU-1 helicopters, blowers and heat exchangers for all major helicopter manufacturers, pressurized radar housings for F-4C aircraft, axial flow blowers for Army tracked vehicles and high-capacity lightweight blowers for the Navy.

The Navy blowers will be used in experimental hydrofoil vessels. They mark Benson's first Navy order for equipment of this type.

Space Programs

Benson is providing assemblies and component equipment for virtually every major United States space program.

Benson equipment will support each of the three key phases of the manned lunar mission. For the Saturn vehicle which will boost the Apollo capsule from the earth's surface, Benson is producing air exit ducts. For the earth-to-moon phase, Benson is providing torque boxes and fire shields. Benson water tanks will be a part of the Lunar Excursion Module; these will be used in both the ascent and descent stages when the first United States astronaut steps onto the moon surface. And for the Planetary Life Support System—the "space suit" which will be worn by the lunar explorers—Benson is providing backpack units.

Benson fuel and oxydizer tanks flew with the earlier Gemini flights and are in production for future Gemini missions. For the Gemini Agena rendezvous vehicle and the Agena multiple restart engine, fuel and oxydizer tanks are also in production.

For the Centaur space vehicles, Benson is fabricating fuel tanks. For the Minuteman ICBM, Benson provides spin and pitch motor cases; and for the Atlas space boosters, fuel valves.

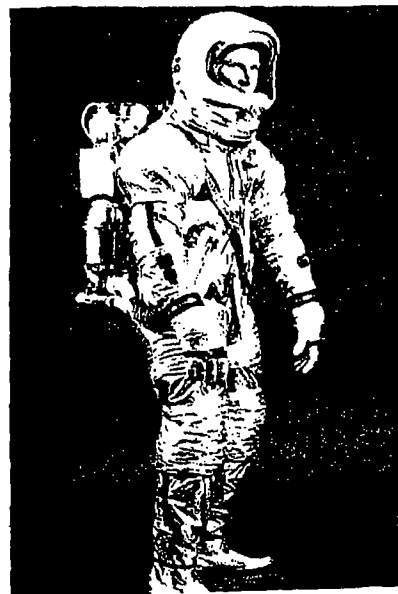
Commercial Programs

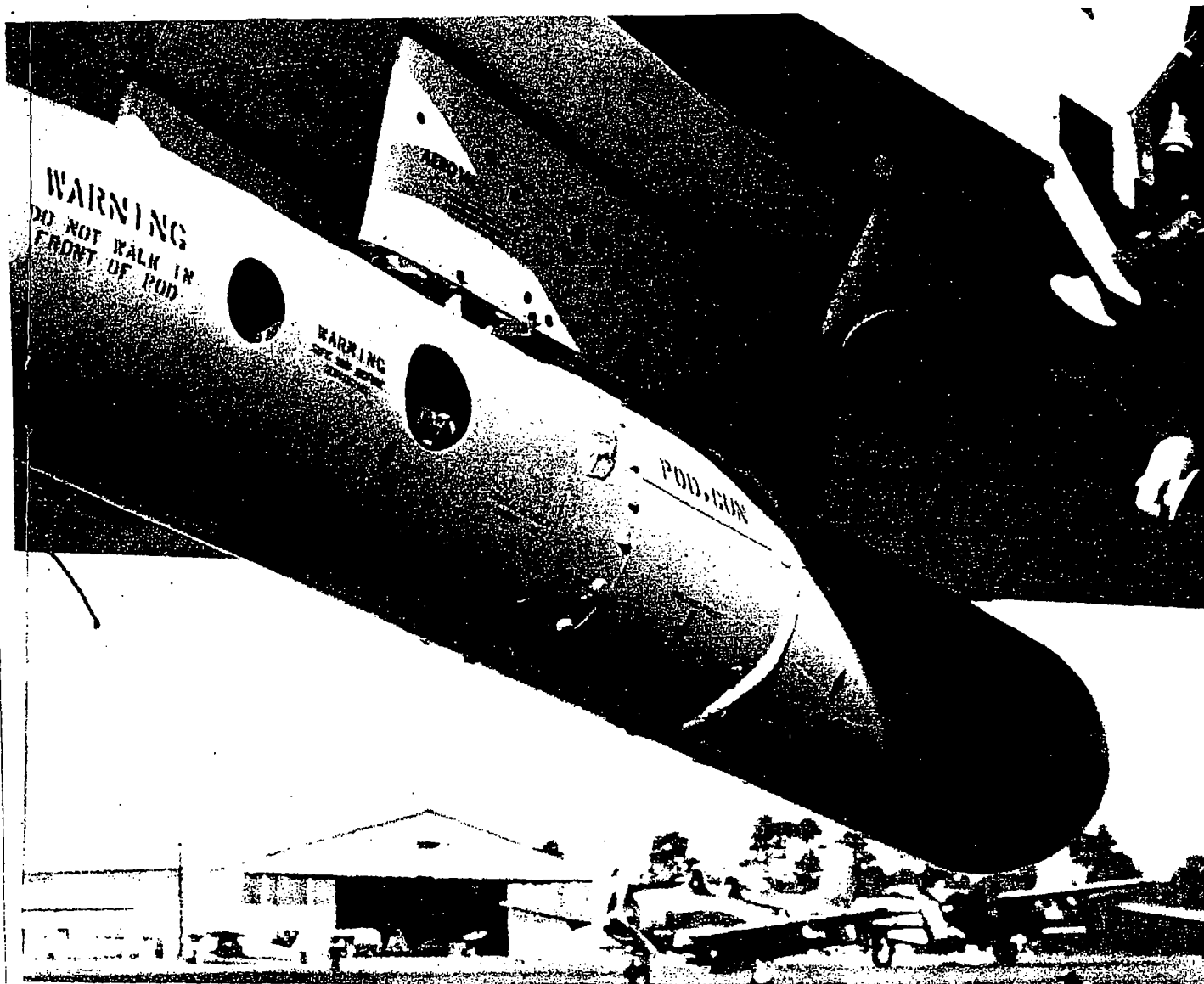
Along with the growth in defense and space activity, more than a third of Benson's business continues to be in the commercial field.

The production of aluminum and stainless steel barrels for breweries continues at an all-time peak. Now one of the nation's three largest producers of

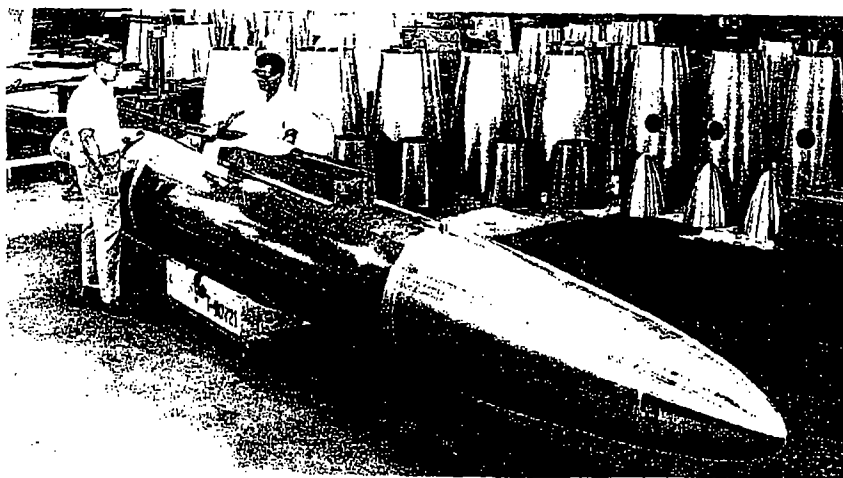


Benson backpacks for lunar explorers will include reservoirs, canisters and various hardware items.

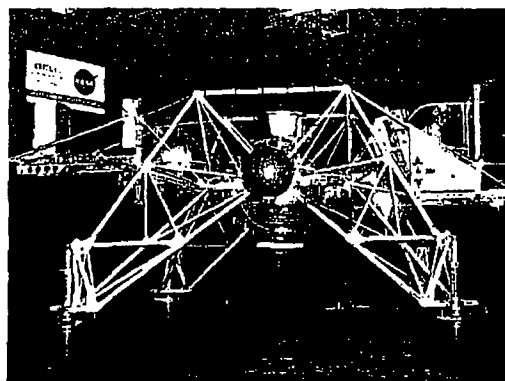




Gun pod for the United States Air Force houses 7.62 mm externally mounted rapid-fire machine gun. Aft section of the pod assembly is produced by Benson.



Pylon-mounted fuel tanks are in quantity production for F-105 aircraft. Some 5,000 of these will be fabricated under an initial order.



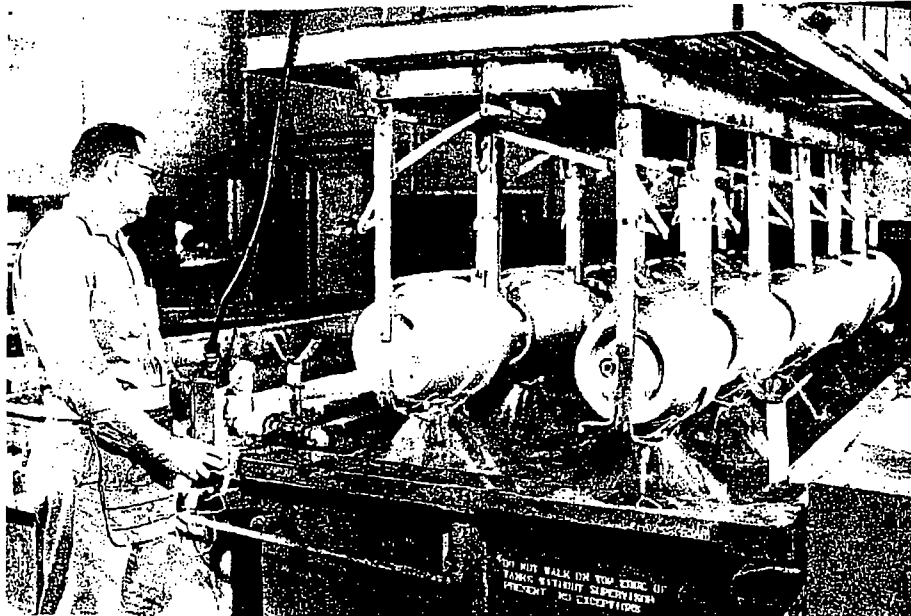
Benson products will be there when Lunar Excursion Module lands first American astronaut on the moon. Benson is providing water tanks which will be used in both the ascent and descent stages.

BENSON MANUFACTURING DIVISION

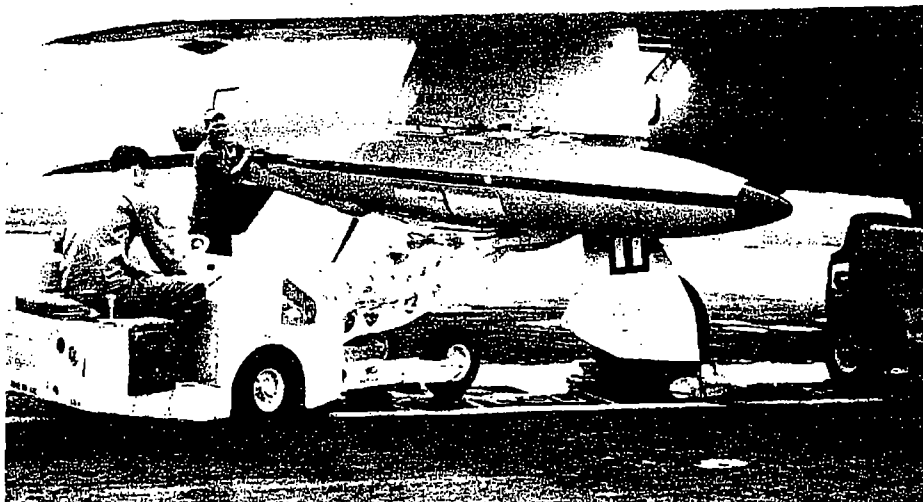
brewers' barrels, Benson is seeking to expand this position with the development of home dispensers for the brewing industry.

In another commercial area requiring extremely close tolerances and high precision craftsmanship, Benson is producing memory frames for the new IBM Model 360 computer. Other prototype units are in the development stage for this computer.

In a new program, Benson is fabricating manifold and torus assemblies for both commercial aircraft and industrial applications. For Boeing commercial jets, the Division has designed and is producing tanks for the drinking and utility water supply systems in 707, 720 and 727 aircraft.



Nitric acid dip plays important role in manufacturing process for aluminum brewery barrels. Production of both aluminum and stainless steel barrels continues at an all-time peak.



Defoliant spray tank is mounted into place beneath aircraft wing. Large production contract for these tanks was received during the year.

Automatic welding jigs are employed in production of stainless steel airborne special purpose tanks.



STANDARD PRECISION DIVISION

Standard Precision concentrated its efforts in the aircraft instrumentation and electromechanical fields.

A new series of high reliability instruments known as TACOR was developed and introduced for the "family type" of light aircraft. TACOR (turn and attitude coordinating) instruments are in keeping with the Federal Aviation Agency's "Project Little Guy," designed to simplify the presentation of vital flight data for the operators of inexpensive light aircraft. The TACOR instrument combines a rate of turn indicator, an inclinometer, a roll reference and a pitch reference in a single unit. The instrument series has been approved by the FAA and initial units have been sold to aircraft accessory distributors for evaluation purposes.

Another "Project Little Guy" instrument sold to several aircraft producers was a new airspeed indicator which employs a taut band principle, eliminating the need for gears, torque arms and bearings. The simplicity of its design affords high reliability at a substantial dollar saving.

The MASSTER fuel gauge, a liquid mass indicator system, was successfully placed on the market. The first fuel gauge system to win Federal Aviation Agency approval under current Technical Standard Orders, it utilizes a probe of known volume and density to measure specific gravity and depth.

Standard Precision continued quantity production of gyroscopic horizon and direction indicators. The Division is now the nation's largest producer of navigational gyroscope equipment for the general aviation market.

In the electromechanical field, Standard Precision introduced a series of miniaturized motors and produced actuators both for general aviation and military aircraft.

The compact, lightweight motors are available in diameters ranging down to less than one inch. They are rated up to .025 HP at 20,000 RPM. They have found applications with instruments, blowers and actuators. Also in production is a more powerful motor to operate winches in military helicopters.

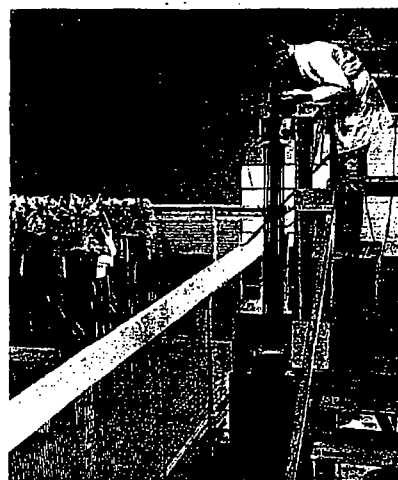
Standard Precision's backlog of orders is at a high level and the overall market outlook is bright.



New airspeed indicator affords high reliability at a substantial dollar saving.



New line of miniaturized motors was introduced.



Standard Precision technician checks driftmeter as part of large-scale over-haul contract from United States Air Force.

High reliability TACOR instruments were developed and introduced for the "family type" of private aircraft.



B A L A N C E S H E E T S

ASSETS

		SEPTEMBER 30	
		1965	1964
CURRENT ASSETS	Cash	\$ 1,664,791	\$ 967,740
	Accounts receivable, less reserve	375,172	587,137
	Amounts receivable under defense contracts	4,895,377	3,535,847
	Inventories, at the lower of average cost or market	7,801,487	5,884,564
	Prepaid insurance, taxes, etc.	266,117	241,544
	Total current assets	<u>\$15,002,944</u>	<u>\$11,216,832</u>
OTHER ASSETS	Investment in preferred stock (Note 2)	\$ —	\$ 900,700
	Debt discount and expense, in process of amortization	126,869	164,825
		<u>\$ 126,869</u>	<u>\$ 1,065,525</u>
PROPERTY, PLANT AND EQUIPMENT, at cost (Note 1)	Land	\$ 345,745	\$ 345,745
	Buildings	3,596,729	3,552,561
	Machinery and equipment	6,668,499	6,429,789
		<u>\$10,610,973</u>	<u>\$10,328,095</u>
	Less — Accumulated depreciation	5,425,056	5,118,012
		<u>\$ 5,185,917</u>	<u>\$ 5,210,083</u>
		<u>\$20,315,730</u>	<u>\$17,492,440</u>

The accompanying notes to financial statements



LIABILITIES

		SEPTEMBER 30	
		1965	1964
CURRENT LIABILITIES	Notes payable	\$ 72,350	\$ 587,630
	Accounts payable	2,207,439	2,239,090
	Provision for income taxes	446,396	368,407
	Accrued salaries, wages, taxes, interest, etc.	1,042,989	704,814
	Installments on long-term debt payable within one year	215,322	194,712
	Total current liabilities	<u>\$ 3,984,496</u>	<u>\$ 4,094,653</u>
LONG-TERM DEBT	First mortgage and promissory notes, payable in installments to 1973	\$ 1,205,222	\$ 1,580,501
	Subordinated convertible debentures (Note 3)	1,621,000	1,848,000
	Notes payable under revolving bank credit agreement continuing to February 28, 1967 (Note 4)	2,700,000	500,000
		<u>\$ 5,526,222</u>	<u>\$ 3,928,501</u>
CAPITAL STOCK AND SURPLUS (Notes 1, 3, 4, 5 and 9)	6% cumulative convertible preferred stock, par value \$10 per share	\$ 357,570	\$ 361,840
	Common stock, par value \$1 per share (715,313 shares outstanding after deducting 52,454 shares held in treasury)	767,767	759,991
	Capital surplus	5,755,028	5,613,627
	Earned surplus	4,475,569	3,210,302
		<u>\$11,355,934</u>	<u>\$ 9,945,760</u>
	Less — Common stock held in treasury, at cost	550,922	476,474
		<u>\$10,805,012</u>	<u>\$ 9,469,286</u>
		<u>\$20,315,730</u>	<u>\$17,492,440</u>

are an integral part of these balance sheets.

Statements of INCOME

		YEAR ENDED SEPTEMBER 30	
		1965	1964
NET SALES		<u>\$22,261,716</u>	<u>\$26,818,136</u>
COSTS & EXPENSES	Manufacturing costs and general and administrative expenses	\$21,115,856	\$25,613,148
	Interest expense	344,770	361,235
	Loss of discontinued operation	—	61,730
	Other (income) deductions, net	(164,919)	(105,366)
		<u>\$21,295,707</u>	<u>\$25,930,747</u>
	Income before income taxes	\$ 966,009	\$ 887,389
PROVISION FOR INCOME TAXES	By reason of the carry-forward of prior years' operating losses of former subsidiary companies, \$65,000 of tax in 1965, and \$60,000 of tax in 1964, has been eliminated	400,000	350,000
	Net income	<u>\$ 566,009</u>	<u>\$ 537,389</u>
SPECIAL ITEMS	Credit (Charge) —		
	Elimination of deferred Federal income taxes resulting from the expected utilization of a former subsidiary's operating losses (Note 1)	\$ 920,000	
	Loss on sale of investment in preferred stock, net of applicable income taxes (Note 2)	(58,000)	
		<u>\$ 862,000</u>	
	Net income and special items	<u>\$ 1,428,009</u>	

Provisions for depreciation were \$591,027 for 1965 and \$645,530 for 1964.

Statements of SURPLUS

		YEAR ENDED SEPTEMBER 30	
		1965	1964
EARNED SURPLUS	Balance at beginning of year	\$ 3,210,302	\$ 2,843,128
	Add (Deduct) —		
	Net income	566,009	537,389
	Special items (Notes 1 and 2)	862,000	—
	Cash dividends —		
	6% preferred stock	(21,538)	(22,408)
	Common stock at \$.20 per share	(141,204)	(147,807)
	Balance at end of year (Note 4)	<u>\$ 4,475,569</u>	<u>\$ 3,210,302</u>
CAPITAL SURPLUS	Balance at beginning of year	\$ 5,613,627	\$ 5,598,280
	Add —		
	Quoted market value in excess of par value of common stock issued in connection with the merger of a former subsidiary (Note 1)	135,090	—
	Other	6,311	15,347
	Balance at end of year	<u>\$ 5,755,028</u>	<u>\$ 5,613,627</u>

The accompanying notes to financial statements are an integral part of these statements.

Statement of CHANGE IN WORKING CAPITAL

YEAR ENDED SEPTEMBER 30, 1965

ADDITIONS TO WORKING CAPITAL	Net Income	\$ 566,009
	Noncash items included in net income —	
	Depreciation	591,027
	Amortization of debt discount and expense	37,956
	Net proceeds from long-term debt	1,597,721
	Sale of investment in preferred stock	842,700
	Proceeds from common stock issued under stock option plans	81,557
	Elimination of deferred Federal income taxes resulting from the expected utilization of a former subsidiary's operating losses	920,000
		<u>\$ 4,636,970</u>
DEDUCTIONS FROM WORKING CAPITAL	Capital expenditures, net of retirements	\$ 424,661
	Cash dividends	162,742
	Acquisition of treasury stock	153,298
		<u>\$ 740,701</u>
	Net increase in working capital	<u>\$ 3,896,269</u>

The accompanying notes to financial statements are an integral part of this statement.

NOTES To Financial Statements

1. MERGER OF SUBSIDIARIES AND ELIMINATION OF DEFERRED FEDERAL INCOME TAXES:

The accompanying financial statements include the accounts of the Company, Standard Precision Division (a former wholly-owned subsidiary which was merged with the Company as of September 30, 1965), and Benson Manufacturing Division (a former 86% owned subsidiary which was merged with the Company as discussed below).

On November 23, 1965, The Benson Manufacturing Company was merged with the Company under a plan approved by their respective stockholders. In this connection, 7,110 shares of the Company's common stock were issued for the 71,104 outstanding shares of Benson common stock not owned by the Company. As a result of this merger, it is expected that net operating loss carryovers of Benson of approximately \$2,400,000 at November 23, 1965, (which were not utilized by Benson prior to the date of merger and substantially all of which were incurred prior to the Company's investment in Benson) will be utilized by the Company as a deduction for Federal income tax purposes.

The accompanying financial statements reflect the effect of the Benson merger as if it had been consummated as of September 30, 1965, as follows:

- The quoted market value of the shares issued (\$142,200) was charged to machinery and equipment with related entries to common stock (\$7,110) and capital surplus (\$135,090).
- The Company's deferred Federal income taxes of \$920,000 as of September 30, 1965, were no longer required, and their elimination was recorded as a special credit in the statement of income.

Following the Benson merger, ma-

chinery and equipment included a total of \$896,205 representing the amount paid by the Company for Benson stock in excess of Benson's net assets at the date of acquisition. This amount has been included in machinery and equipment on the basis of appraisals completed in 1964, and is being amortized over the estimated life of the machinery and equipment.

2. LOSS ON SALE OF INVESTMENT:

During 1963, the Company received preferred stock of Van Dusen Aircraft Supplies, Inc. as partial consideration for the sale of substantially all of the net assets of a wholly-owned subsidiary to Van Dusen at a loss of \$106,719 after applicable income taxes. In July, 1965, this stock was sold to Van Dusen at a loss of \$58,000 (net of applicable Federal income taxes of \$19,500) which was recorded as a special charge in the statement of income.

3. SUBORDINATED CONVERTIBLE DEBENTURES:

The Company has outstanding 6% subordinated convertible debentures maturing November 30, 1971, which were obligations of the former subsidiary merged with the Company as of November 23, 1965 (see Note 1). Following the merger, the Company assumed the liability for and the obligations under the debentures.

The debentures are redeemable at the option of the Company at 103% of the principal amount to November 30, 1966, and at prices declining ½% each year thereafter. A sinking fund deposit is required on August 31 of each year in an amount equal to 10% of net earnings for the prior fiscal year less the principal amount of debentures redeemed. Each \$130 principal amount of debentures is now convertible, at the option of the holders, into one share of the Company's common stock. 12,038 shares of the Company's common stock were reserved for conversion of the

outstanding debentures following the merger.

4. REVOLVING CREDIT AGREEMENT:

The Company has entered into a revolving credit agreement with certain banks which provides that the banks will lend up to an aggregate amount of \$5,000,000 at any one time outstanding, on 90-day renewable notes, to February 28, 1967.

The agreement provides that, except with the prior consent of the lenders, the Company shall not redeem any of its capital stock or pay cash dividends, except that such redemptions or dividends are permissible if the aggregate cost of such redemptions and dividends in any twelve consecutive month period does not exceed 50% of the Company's net earnings for such period.

5. CAPITAL STOCK:

Further information with respect to capital stock is as follows:

Description	Number of Shares as of September 30	
	1965	1964
6% cumulative convertible preferred stock, par value \$10 per share —		
Authorized	200,000	200,000
Outstanding	35,757	36,184
Common stock, par value \$1 per share		
(See Note 1) —		
Authorized	1,000,000	1,000,000
Issued	767,767	759,991
Held in		
treasury	52,454	44,875
Outstanding	715,313	715,116

The Company's 6% cumulative convertible preferred stock (par, liquidation and redemption values \$10 per share) is convertible into common stock in a ratio of 1.575 shares of common for each share of preferred.

(Continued on next page)

NOTES TO FINANCIAL STATEMENTS (cont'd.)

6. METHOD OF PROFIT ACCRUAL:

Profits are recorded on defense contracts, prior to completion thereof, where, in the opinion of management, such profits can be reasonably estimated after taking into consideration the stage of contract completion and estimated final costs and prices.

7. CONTINGENT LIABILITIES:

A substantial part of the sales are made under defense contracts subject to final price determination and statutory renegotiation. It is the opinion of management that final price determinations will have no adverse effect on the accompanying financial statements and that no refund of profits will be required under renegotiation.

8. RETIREMENT PLANS:

The Company has established non-contributory retirement plans for salaried and hourly employees providing for retirement benefits based on length of service at a normal retirement age of 65. The estimated annual cost of the plans to the Company is \$153,000 of which \$47,000 is applicable to past service. Unfunded past service benefits amounted to approximately \$862,000 at September 30, 1965, which amount is being funded over a thirty-year period from the date of the inception of the plans.

9. STOCK OPTIONS:

In January, 1965, the stockholders approved a qualified stock option plan under which options may be granted to selected executives and other key employees to purchase a maximum of 41,828 shares of common stock at not less than 100% of the fair market value at the date of grant. The options become exercisable at such times as the Board of Directors determines at the time the options are granted, and expire five years after the grant. During the period ended September 30, 1965, options to purchase 4,600 shares were exercised at \$9.88 per share.

The Company also has a restricted stock option plan, approved by the stockholders, for the purchase of common stock by selected executives and key employees; however, this plan has been superseded by the adoption of the qualified stock option plan. Consequently, no further options can be granted under this plan. During the year ended September 30, 1965, restricted stock options to purchase 28,985 shares were canceled and options were exercised to purchase 1,400 shares at \$10.74 per share and 1,600 shares at \$13.17 per share.

At September 30, 1965, options were outstanding under both plans as follows:

	Number of Shares	Option Price per Share	Aggregate Option Price
Qualified plan	26,100	\$ 9.88	\$257,868
Restricted plan	7,200	\$10.74	\$ 77,328
	5,543	\$13.17 to \$15.39	78,730
	12,743		\$156,058
Total	38,843		\$413,926

FINANCIAL HISTORY

(Except for per share figures, all dollar amounts are in thousands)

	1965	1964	1963	1962	1961
Net sales	\$22,262	\$26,818	\$18,104	\$27,302	\$13,523
Interest	345	361	234	286	309
Profit (loss) of discontinued operations	—	(62)	(22)	8	34
Net income	566	537	414	708	306
Special items	862	—	(107)	—	—
Current assets	15,003	11,217	11,701	14,495	12,569
Current liabilities	3,984	4,095	4,852	7,281	7,355
Working capital	11,019	7,122	6,849	7,214	5,214
Stockholders' equity	10,805	9,469	9,577	9,326	6,923
Number of preferred shares	35,757	36,184	37,840	38,237	38,983
Number of common shares	708,203 ⁽¹⁾	715,116	757,124	755,714 ⁽²⁾	648,356 ⁽²⁾
Per common share (on shares outstanding at end of year after requirements of preferred stock):					
Net income	\$.77 ⁽¹⁾	\$.72	\$.52	\$.91	\$.44
Special items	1.21	—	(.14)	—	—
Net income and special items	1.98	—	.38	—	—
Working capital	14.90	9.45	8.55	9.04	7.44
Stockholders' equity	14.61	12.74	12.15	11.83	10.08
Backlog	42,300	21,800	20,900	12,800	10,900

In all years prior to 1964, net sales, interest, profit (loss) of discontinued operations and backlog have been restated to reflect the sale in 1963 of a wholly-owned subsidiary and in 1964 of a division.

(1) Does not include the effect of issuing 7,110 shares of common stock in connection with the merger of the Benson Manufacturing Company as of November 28, 1965, which issuance was reflected in the accounts as of September 30, 1965.

(2) Adjusted for 5% stock dividend in October, 1962.

ARTHUR ANDERSEN & CO.

To the Stockholders and Board of Directors of Electronic Communications, Inc.:

We have examined the balance sheet of Electronic Communications, Inc. (a New Jersey corporation) as of September 30, 1965, and the related statements of income, surplus and change in working capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We had previously made a similar examination for the year ended September 30, 1964.

In our opinion, the accompanying balance sheet and statements of income, surplus and change in working capital present fairly the financial position of Electronic Communications, Inc. as of September 30, 1965, and the results of its operations and the change in working capital for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Andersen & Co.

Atlanta, Georgia,
November 24, 1965

ELECTRONIC COMMUNICATIONS, INC.

38th ANNUAL REPORT 1965

BOARD OF DIRECTORS

*C. K. BAXTER, President
The Donner Corporation
Philadelphia, Pennsylvania

*S. W. BISHOP, President
Electronic Communications, Inc.

DAVID R. BRADLEY,
Publisher
News-Press & Gazette Company
St. Joseph, Missouri

J. PAUL CRAWFORD, JR.,
Senior Vice President
Chemical Bank New York Trust
Company
New York, New York

*H. A. KROEGER, Partner
A. & H. Kroeger Organization
New York, New York

DUNCAN MILLER,
President
The Donner Advisory
Corporation
New York, New York

WILLIAM D. ROOSEVELT,
Research Analyst
Laird & Company, Corporation
New York, New York

E. P. T. SMITH, JR.,
President
William H. Donner Foundation
Roanoke, Virginia

J. B. WILLIAMS,
Vice President
Electronic Communications, Inc.

GILL ROBB WILSON,
Vice Chairman
Electronic Communications, Inc.

*W. R. YARNALL, Chairman
and Financial Vice President
Electronic Communications, Inc.

**Member, Executive Committee*

OFFICERS

S. W. BISHOP, President

P. G. HANSEL, Vice President
— Engineering

C. L. LORD, Vice President,
Secretary and Treasurer

M. G. PURPUS, Vice President
and General Manager, Benson
Manufacturing Division

L. W. WILLEY, Vice President
— Operations

J. B. WILLIAMS, Vice President
and General Manager,
St. Petersburg Division

GILL ROBB WILSON,
Vice Chairman

W. R. YARNALL, Chairman
and Financial Vice President

T. G. B. EBERT, Assistant
Secretary

H. E. OWENS, Assistant
Secretary

T. F. PEPPEL, Assistant
Secretary

DIVISION MANAGEMENT

St. Petersburg Division
J. B. WILLIAMS, Vice
President and General
Manager

Benson Manufacturing Division
M. G. PURPUS, Vice
President and General
Manager

Standard Precision Division
L. W. WILLEY, Vice
President and General
Manager

General Offices and
St. Petersburg Division

St. Petersburg, Florida

Benson Manufacturing Division

Kansas City, Missouri

Standard Precision Division

Wichita, Kansas

TRANSFER AGENTS

Registrar and Transfer
Company
New York and Jersey City

AUDITORS

Arthur Andersen & Co.

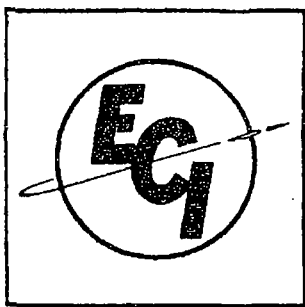
REGISTRAR

Chemical Bank New York Trust
Company
New York

GENERAL COUNSEL

Ballard, Spahr, Andrews &
Ingersoll
Philadelphia

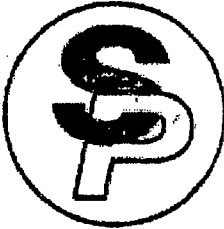




ELECTRONIC COMMUNICATIONS, INC.
ST. PETERSBURG, FLORIDA

DEC 30 1965

DEC 29 1965



STANDARD PRECISION DIVISION

Electronic Communications, Inc.

4105 WEST FAIRWAY • BOX 1277 • WICHITA, KANSAS 67201 • WIKIHAUS 3-3341 • TOLER 48-710

- ELECTRONIC EQUIPMENT
- INSTRUMENTATION
- ELECTRO-MECHANICAL EQUIPMENT

December 29, 1965

Kansas State Department of Health
Topeka
Kansas

Attention: Mr. Charles K. Ashbaker, Supervisor
Licensing and Registration Unit
Industrial, Radiation and
Air Hygiene Program

Gentlemen:

We are pleased to submit this document to you outlining our program to correct the radiation and contamination areas in our plant.

Upon receiving your letter of November 30, 1965, we have been in the middle of this activity and, at this point, we feel that it is nearly complete. We have one exception where we were unable to make direct contact with a disposal vendor. In receiving a letter from California Nuclear, Inc. of Richland, Washington, they indicated they planned to be in the Wichita area sometime in June 1966. However, to our knowledge, we have not been contacted and this matter remains open for solution. We would appreciate any aid that you may render in obtaining a certified disposal vendor for us.

Further, we have purchased the necessary Alpha Measuring Instrument which will give us the proper reading in the contaminated areas, and we have attempted to eliminate affected floor areas by painting. Also, we will install special formica topped benches for tear down and are taking the proper steps by using paper and disposing of the waste materials. Also, all partial disassembly will be handled in a special stripping room.

The outline of the program is as follows.

JUL 26 1966



STANDARD PRECISION DIVISION

Electronic Communications, Inc.

1835 WEST PARKWAY • BOX 1297 • WICHITA, KANSAS 67201 • WIRELESS 3-3541 • TELETYPE 41-716

- ELECTRONIC EQUIPMENT
- INSTRUMENTATION
- ELECTRO-MECHANICAL EQUIPMENT

July 25, 1966

The Kansas State Department of Health
Topeka
Kansas

Attention: Mr. Bernard H. Weiss, Chief
Radiological Health Section
Industrial, Radiation and
Air Hygiene Program

Reference: Your Letter of July 18, 1966

Dear Mr. Weiss,

I am attaching a list of three people who we believe to be the most desirable candidates for your program as they have worked in our restricted area approximately 20% of their time for several years.

Nancy Gossett, 112 West Lincoln, Wichita, Kansas

Telephone: FO 3-4445

Zola Scarbrough, 1943 Gold, Wichita, Kansas

Telephone: AM 2-2305

Robert Durham, 2412 Ida, Wichita, Kansas

Telephone: AM 2-5586

We hope this gives you the information you need and, if we can be of further assistance, please let us hear from you.

Very truly yours,

Charles D. Manhart

Vice-President & General Manager

mkl

NOV 16 1966



STANDARD PRECISION DIVISION

Electronic Communications, Inc.

412 WEST FAHNER • BOX 1297 • WICHITA, KANSAS 67201 • WICHITA 2-3241 • TELEX 41-716

- ELECTRONIC EQUIPMENT
- INSTRUMENTATION
- ELECTRO-MECHANICAL EQUIPMENT

November 14, 1966

Kansas State Department of Health
Environmental Health Services
State Office Building
Topeka, Kansas

Attention: Mr. Bernard H. Weiss, Chief Radiological
Health Section Industrial, Radiation and
Air Hygiene

Gentlemen:

I have just recently been assigned the responsibility of the Radiological Health program at Standard Precision. While I am familiar with the program and do understand most of the facets, I would appreciate consultation with you, Mr. Askbaker or Mr. Oldfield on certain portions.

As you know we have a Ludlum Model 12 countrate meter and I would like to confirm some comparison rate counts used as "calibrations" in taking periodic readings in our facility.

If it would be convenient, I would appreciate a visit from one of you gentlemen at a time that would fit your schedule while in the Wichita Area.

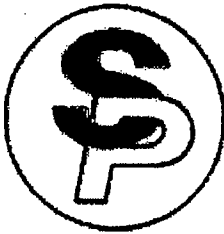
Sincerely,

STANDARD PRECISION Division
of Electronic Communications, Inc.

C. L. Sawyer

C. L. Sawyer
Quality Control Manager

ch



FEB 17 1967

STANDARD PRECISION DIVISION

Electronic Communications, Inc.

4101 WEST LAWYER • BOX 1287 • WICHITA, KANSAS 67201 • WYOMING 3-3341 • TELEX 41-716

- ELECTRONIC EQUIPMENT
- INSTRUMENTATION
- ELECTRO-MECHANICAL EQUIPMENT

February 17, 1967

Mr. Jerome A. Halperin
Environmental Health Services
Kansas State Department of Health
Topeka, Kansas

Dear Mr. Halperin,

This letter will confirm our interest in the proposed decontamination program you outlined to Mr. Sawyer via telephone. We understand a meeting will be scheduled to discuss the proposal details and establish the ground rules of the program.

This proposal is understood to consist of a survey to determine the level of contamination and flow of the instruments containing the contaminate followed by actual decontamination processes. Included in the program are ingestion examinations and tests of employees, present and past, that handled the disassembly-cleaning operations of the referenced instruments. Concluding will be consultations with Standard Precision control personnel relative to methods and procedures to maintain safe radiation levels.

We are cognizant of the disposal responsibilities and the storage requirements prior to disposal relative to the contaminate collected.

Please proceed with the planning of the discussion meeting which we understand will include you and a representative of the Eberline Instrument Corporation, the participating firm. Also, please keep us informed so that we may arrive at a mutually satisfactory date for subject meeting.

Very truly yours,

W. E. Gene Hill

W. E. (Gene) Hill
Quality Control Manager
mkl



STANDARD PRECISION

A DIVISION OF ELECTRONIC COMMUNICATIONS, INC.

4100 W. PAWNEE, BOX 1227, WICHITA, KAN. 67201, TEL. 642-3341

MAY 3 1967

- GENERAL AVIATION PRODUCTS
- MILITARY PRODUCTS
- RESEARCH & DEVELOPMENT PROGRAMS

May 2, 1967

Mr. Jerome A. Halperin, Chief
Radiological Health Section
Industrial, Radiation & Air Hygiene Program
Kansas State Department of Health
Topeka, Kansas

Reference: Your Letter of April 14, 1967

Dear Mr. Halperin,

Enclosed please find our application for 1967 Kansas Radioactive Material License. Also enclosed is a copy of my letter to you dated February 17, 1967 which, as of this date, I have not received an answer. We are still waiting for this meeting with you and a representative of the Everline Instrument Corporation. We feel that this meeting would resolve most of our problems of radiation protection and, at the same time, take care of the noncompliance items as listed in Mr. Allen's letter of January 26, 1967.

If you have any questions, please do not hesitate to call me.

Sincerely,

W. E. Hill

W. E. Hill
Divisional Quality Control Manager
mkl

Enclosures



STANDARD PRECISION

A DIVISION OF ELECTRONIC COMMUNICATIONS, INC.

4105 W. PAWNEE, BOX 1287, WICHITA, KAN. 67201, TEL. 942-3241

- GENERAL AVIATION PRODUCTS
- MILITARY PRODUCTS
- RESEARCH & DEVELOPMENT PROGRAMS

September 23, 1967

S.H.S.

Mr. Hugh E. Dierker
Kansas State Department of Health
Topeka, Kansas



Dear Mr. Dierker:

In reference to Mr. Allen's letter of August 23, 1967, and our Application for Radioactive Material License No. 25-R061-01, this letter is in answer to the noncompliance noted and a request for renewal of our Radioactive Material License (application enclosed).

All noncompliances have been corrected and are listed as they appear in Mr. Allen's letter of August 23, 1967:

- (A & B) These areas have been completely re-painted.
- (C) The tank is being cleaned after each use. With good housekeeping, we will improve this condition each time we use the tank.
- (D) The faucets and mounting boards have been replaced with new ones.
- (E) These shelves have been placed in 55-gallon drums and sealed for disposal.
- (F) The liquid honing machine has been moved outside, and we will sandblast to clean all over and re-paint. We may not use this machine in the near future. We will store it if we can get the machine clean. If not, we will dispose of same in county landfill.
- (G) Sump in clean room has been cleaned out, and we do not have waste back-up now.
- (H) All of the floors and walls have been re-painted.
 - 1. The area around the stored radium is properly placarded and will be kept this way until disposal can be accomplished.
 - 2. The contaminated waste has been removed from tank and tank flushed out. A sample of this waste was sent to Eberline Instrument Corporation. As of this date, we have not received a report.

Mr. Hugh E. Dierker

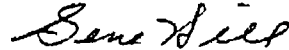
- 2 -

September 23, 1967

I have purchased check sources for both of my survey meters. We are now working to the Radioactive Material Program, as outlined in my memorandum of July 20, 1967, (Radium Control Program), copy of this memorandum enclosed.

I would appreciate some one from your office dropping in next time they are in town. I could use some help in checking the contamination level in the work areas.

Sincerely,



W. E. (Gene) Hill
Radiation Protection Officer

WEH:bm
Encls.

APPLICATION FOR RADIOACTIVE MATERIAL LICENSE

INSTRUCTIONS—Complete Items 1 through 16 if this is an initial application. If application is for renewal of a license, complete only Items 1 through 7 and indicate new information or changes in the program as requested in Items 8 through 15. Use supplemental sheets where necessary. Item 16 must be completed on all applications. Mail two copies to: Kansas State Department of Health, Radiological Health Section, State Office Bldg., Topeka, Kan. Upon approval of this application, the applicant will receive a Kansas Radioactive Material License, issued in accordance with the general requirements contained in Kansas State Department of Health, Radiation Protection Regulations and the Kansas Nuclear Energy Development and Radiation Control Act.

1. (a) NAME AND STREET ADDRESS OF APPLICANT. (Institution, firm, hospital, person, etc.) Standard Precision, a Division of Electronic Communications Inc. 4105 W. Pawnee, Box 1297, Wichita, Ks. 67201	(b) STREET ADDRESS(ES) AT WHICH RADIOACTIVE MATERIAL WILL BE USED. (If different from 1 (a).) Same as Item #1
2. DEPARTMENT TO USE RADIOACTIVE MATERIAL. Clean & Stripping Department	3. PREVIOUS LICENSE NUMBER(S). (If this is an application for renewal of a license, please indicate and give number.) 25-R061-01
4. INDIVIDUAL USER(S). (Name and title of individual(s) who will use or directly supervise use of radioactive materials. Give training and experience in Items 8 and 9.) Howard Chadd - Foreman	5. RADIATION PROTECTION OFFICER (Name of person designated as radiation protection officer if other than individual user. Attach resume of his training and experience as in Items 8 and 9.) W.E. (Gene) Hill
6. (a) RADIOACTIVE MATERIAL. (Elements and mass number of each.) RA 226	(b) CHEMICAL AND/OR PHYSICAL FORM AND MAXIMUM QUANTITY OF EACH CHEMICAL AND/OR PHYSICAL FORM THAT YOU WILL POSSESS AT ANY ONE TIME. (If sealed source(s), also state name of manufacturer, model number, number of sources and maximum activity per source.) Radium Dial Instruments & Waste from Instrument Disassembly & Dial Stripping Operations

7. DESCRIBE PURPOSE FOR WHICH RADIOACTIVE MATERIAL WILL BE USED. (If radioactive material is for "human use," Supplement A (FORM RH-2) must be completed in lieu of this item. If radioactive material is in the form of sealed sources, include the make and model number of the storage container and/or device in which the source will be stored and/or used.)

This Material is present in some Instruments we service

(Continued on reverse side)

TRAINING AND EXPERIENCE OF EACH INDIVIDUAL NAMED IN ITEM 4 (Use supplemental sheets if necessary).

8. TYPE OF TRAINING	WHERE TRAINED	DURATION OF TRAINING	ON THE JOB (Circle answer)	FORMAL COURSE (Circle answer)
a. Principles and practices of radiation protection	None		Yes (No)	Yes (No)
b. Radioactivity measurement standardization and monitoring techniques and instruments	None		Yes (No)	Yes (No)
c. Mathematics and calculations basic to the use and measurement of radioactivity	None		Yes (No)	Yes (No)
d. Biological effects of radiation	None		Yes (No)	Yes (No)

9. EXPERIENCE WITH RADIATION (Actual use of radioisotopes or equivalent experience). None

ISOTOPE	MAXIMUM AMOUNT	WHERE EXPERIENCE WAS GAINED	DURATION OF EXPERIENCE	TYPE OF USE

10. RADIATION DETECTION INSTRUMENTS (Use supplemental sheets if necessary).

TYPE OF INSTRUMENTS (Include make and model number of each)	NUMBER AVAILABLE	RADIATION DETECTED	SENSITIVITY RANGE (mr/hr)	WINDOW THICKNESS (mg/cm ²)	USE (Monitoring, Surveying, Measuring)
Ludlum Model 12 Count rate	1	Alpha	0-500,000		Monitoring for contamination
FCDI CD U-700 Model # 2	1	Beta Gamma	0-50 MR/HR		Sorting of Radium Dials

11. METHOD, FREQUENCY, AND STANDARDS USED IN CALIBRATING INSTRUMENTS LISTED ABOVE. Eberline Model SD-5 TH 239 Source

12. FILM BADGES, DOSIMETERS, AND BIO-ASSAY PROCEDURES USED (For film badges, specify method of calibrating and processing, or name of supplier). Ref. Radium Control Procedure

INFORMATION TO BE SUBMITTED ON ADDITIONAL SHEETS

13. FACILITIES AND EQUIPMENT. Describe laboratory facilities and remote handling equipment, storage containers, shielding, fume hoods, etc. Explanatory sketch of facility is attached (Circle answer). Yes (No)

14. RADIATION PROTECTION PROGRAM. Describe the radiation protection program including control measures. If application covers sealed sources, submit leak testing procedures where applicable, name, training, and experience of person to perform leak tests and arrangements for performing initial radiation survey, servicing, maintenance and repair of the source. Ref. Control Procedure

15. WASTE DISPOSAL. If a commercial waste disposal service is employed, specify name of company. Otherwise, submit detailed description of methods which will be used for disposing of radioactive wastes and estimates of the type and amount of activity involved. Bill Mesker Sanitation Company, 1300 Airport Road, Wichita, Kansas

CERTIFICATE

(This item must be completed by applicant)

16. THE APPLICANT AND ANY OFFICIAL EXECUTING THIS CERTIFICATE ON BEHALF OF THE APPLICANT NAMED IN ITEM 1, CERTIFY THAT THIS APPLICATION IS PREPARED IN CONFORMITY WITH KANSAS STATE DEPARTMENT OF HEALTH RADIATION PROTECTION REGULATIONS AND THAT ALL INFORMATION CONTAINED HEREIN, INCLUDING ANY SUPPLEMENTS ATTACHED HERETO, IS TRUE AND CORRECT TO THE BEST OF OUR KNOWLEDGE AND BELIEF.

Standard Precision, a Division
of Electronic Communications Inc.

Applicant named in Item 1

Date September 23, 1967

By: W.E. Hill
W.E. (Gene) Hill
Div. Quality Control Manager

Title of certifying official authorized to act on behalf of the applicant

STANDARD PRECISION

A DIVISION OF ELECTRONIC COMMUNICATIONS, INC.

4105 W. PAWNEE, BOX 1297, WICHITA, KAN. 67201, TEL. 942-3241

- GENERAL AVIATION PRODUCTS
- MILITARY PRODUCTS
- RESEARCH & DEVELOPMENT PROGRAMS



October 25, 1967

Mr. Gerald W. Allen
Public Health Physicist
Radiological Health Section
Industrial, Radiation and Air Hygiene Program
Kansas State Department of Health
Topeka, Kansas

Dear Mr. Allen:

This is in reference to your letter of October 5, 1967, and our Radiation Control Procedure.

I would like to revise our Radiation Control Procedure to comply with regulations and at the same time have a program that we can live with. I believe it would help me do this if someone from your office would come by and spend the day with me so we could put this procedure together and both agree while doing so. I would appreciate any help you can give me.

Sincerely,

W. E. Hill

W. E. Hill
Radiation Protection Officer
WEH:bm

STANDARD PRECISION

A DIVISION OF ELECTRONIC COMMUNICATIONS, INC.

4105 W. PAWNEE, BOX 1297, WICHITA, KAN. 67201, TEL. 842-3841

- GENERAL AVIATION PRODUCTS
- MILITARY PRODUCTS
- RESEARCH & DEVELOPMENT PROGRAMS

November 17, 1967



Mr. Gerald W. Allen
Public Health Physicist
Radiological Health Section
Kansas Department of Health
Topeka, Kansas

Dear Mr. Allen:

Please find enclosed a copy of letter and report on the sample of waste material removed from our waste tank at time of disposal.

This analysis result provides an answer to item 1 of your letter of October 5, 1967. I will answer all items of this letter within the next few days.

Sincerely yours,

Standard Precision a Division of
Electronic Communications Inc.

W. E. Hill

W. E. Hill
Radiation Protection Officer
WEH:bm
Encls.



STANDARD PRECISION

A DIVISION OF ELECTRONIC COMMUNICATIONS, INC.

4105 W. PAWNEE, BOX 1207, WICHITA, KAN. 67201, TEL. 942-3241

- GENERAL AVIATION PRODUCTS
- MILITARY PRODUCTS
- RESEARCH & DEVELOPMENT PROGRAMS

January 4, 1968



Mr. Gerald W. Allen
Public Health Physicist
The Kansas State Department
of Health
Topeka, Kansas

Dear Mr. Allen:

Please find enclosed a revised Radium Control Procedure. This procedure was revised to comply with your letter of October 5, 1967.

If you have any questions concerning this procedure, do not hesitate to call me.

Sincerely yours,

W. E. Hill

W. E. Hill
Radiation Protection Officer

WEH:ewm
attached



STANDARD PRECISION

A DIVISION OF ELECTRONIC COMMUNICATIONS, INC.

4103 W. FAWKEE, BOX 1287, WICHITA, KAN. 67201, TEL. 948-3341

- GENERAL AVIATION PRODUCTS
- MILITARY PRODUCTS
- RESEARCH & DEVELOPMENT PROGRAMS

May 1, 1968



Mr. Gerald W. Allen
Public Health Physicist
Kansas State Department of Health
Topeka, Kansas

Dear Mr. Allen:

Please find enclosed the revised Procedure for Handling Radioactive Material. Added to this procedure is the method we will use to dispose of the waste. If you have any questions, please do not hesitate to call.

We have completed our cleanup program and the county has picked up our waste that we put in the 55 gallon drums; therefore, we should be in good shape.

Sincerely,

STANDARD PRECISION A DIVISION OF
ELECTRONIC COMMUNICATIONS, INC.

Gene Hill
Radiation Protection Officer

GH:ewm

Enclosure



Bm / gwa
STANDARD PRECISION

A DIVISION OF ECI (AN NCR SUBSIDIARY)

4108 W. LAWYER • BOX 1287 • WICHITA, KANSAS 67201 • 242-3241

- GENERAL AVIATION PRODUCTS
- MILITARY PRODUCTS
- RESEARCH & DEVELOPMENT PROGRAMS



May 22, 1970

Kansas State Department of Health
State Office Building
Topeka, Kansas 66601

Attention: Mr. Gerald W. Allen

Gentlemen:

This letter refers to our Kansas Radioactive Materials License Number 25-R061-01 and to the fact that I have assumed the duties of Radiation Protection Officer from Mr. Clem Sawyer.

I am submitting this letter to you requesting that our license be amended to reflect this change as suggested in Mr. Blaine Murray's letter dated May 7, 1970.

Sincerely,

E. L. Bailey

E. L. Bailey

Quality Control Manager

sl



Lynd
STANDARD PRECISION

A DIVISION OF ECI (AN NCR SUBSIDIARY)

4108 W. FAHNEB • BOX 1287 • WICHITA, KANSAS 67201 • 342-2241



- GENERAL AVIATION PRODUCTS
- MILITARY PRODUCTS
- RESEARCH & DEVELOPMENT PROGRAMS

June 17, 1970

Kansas State Department of Health
State Office Building
Topeka, Kansas 66612

Attention: Mr. Gerald W. Allen

Gentlemen:

This letter is in regard to continuing our Kansas Radioactive Materials license number 25-R061-01 which expires on July 31, 1970.

We wish to renew our license. There has been no change in our program at this time and we do not anticipate any changes in the near future.

Thank you,

E. L. Bailey

E. L. Bailey
Quality Control Manager

sl

INSPECTOR: Gerald W. Allen

LICENSEE: Standard Precision, Wichita

DATE OF INSPECTION: December 8, 1966

TYPE: Original

PERSONS ACCOMPANYING INSPECTOR: Jerome A. Halperin

LICENSE INSPECTED: 25-R061-01 (E 67)

PREVIOUS NC ITEMS CORRECTED

(Partial Compliance)

Past surveys, while not listing these items as noncompliance, noted that the contamination levels were excessive at the plant and that appropriate survey instruments and handling procedures had not been developed. Contamination levels have been developed, but are not being followed completely. A survey instrument has been obtained, but was not in proper operating order at the time of the inspection.

INSPECTION FINDINGS - INCLUDE NONCOMPLIANCE ITEMS

- (1) Outside door of the stripping room was not posted as a radiation area. Sec. 28-35-86 (B).
- (2) Waste can was not labeled. Sec. 28-35-86 (D).
- (3) The aisle in the storage area was not restricted; dose rates in this aisle are in excess of Sec. 28-55-81.
- (4) Contamination in the stripping room is still excessive. License Condition 14.
- (5) The hood duct contained significant quantities of radium-contaminated ash. Sec. 28-35-90.
- (6) Filters were being burned. Sec. 28-35-93.
- (7) Survey instruments were not in proper operating condition. License Condition 14.
- (8) Surveys were not being conducted as required by Condition 13.
- (9) Handling procedures for surplus instruments were not being adequately followed as required by License Condition 14.
- (10) The names of the users as listed on the license were incorrect. License Condition 1

INSPECTION RESULTS DISCUSSED WITH

C. L. Sawyer indicated that the following steps were to be taken to correct the items noted above:

- (1) The outside door of the stripping room will be posted with a sign similar to that used on the inside door.
- (2) The waste can will be adequately labeled.
- (3) The aisle in the storage area will be properly restricted and posted.

- (4) The stripping room will be cleaned and a proper covering for the bench tops obtained.
- (5) Work is being started on a plan for cleaning out the flue and ducts of the hood.
- (6) Filters will no longer be burned.
- (7) The sludge gutter will be cleaned and no more filtrate allowed to accumulate in it.
- (8) The survey instrument is being returned to the manufacturer for repair. A reliable calibration set will be purchased. The survey schedule will be re-established at proper frequencies.
- (9) Handling procedures for surplus instruments will be properly followed.
- (10) The users' names are to be changed on the license.

A. ADMINISTRATION

<u>1. Persons Contacted</u>	<u>Title</u>	<u>Responsibility</u>
C.L. Sawyer	Chief, Quality Control	To report under license requirements.

2. Organization

(a) General

Standard Precision is a division of Electronic Communications, Inc. and the General Manager of Standard Precision, Mr. Charles Manhart, is a corporate vice president of the parent organization. Mr. Robert Bonnel is the assistant general manager and Mr. C.L. Sawyer is directly responsible for these two men. During the discussion of the administrative structure of the company, it was learned that Mr. Howard Chadd, the individual named on the license as supervisor of the use of radioactive materials, is no longer assigned that duty and had been transferred to another area in the company. It was also noted that Mr. H.W. Scudlow and Mr. Walter Kaczocha, the persons formally active in this area, had left the company prior to September 1, 1966.

(b) Isotopes Committee (members and function) - none required

3. Radiation Safety

Radiation Safety Officer (name-title-duty-authority)

Mr. C.L. Sawyer, Chief, Quality Control
Supervises the radiation control program and has been actively engaged in this responsibility since October 31, 1966. Prior to his employment by Standard Precision, he had worked for 17 years at Garwin Industries.

4. Instruction of Personnel

Written procedures are required by the License Condition 14. These procedures include instructions on where the teardown and stripping operations are to be carried out, directions concerning how the teardown and stripping is to be

accomplished and special instructions concerning how the stripping solution is to be handled after it has been used to remove radium bearing paint from dials and pointers. These procedures were submitted January 8, 1966 and have not been changed since that date. These procedures have been distributed to the employees who are working with the radioactive materials.

It was noted by the inspectors that while the written procedures had not been changed, the actual handling procedures had been changed and included burning of used filter paper.

5. Procurement, Records of Receipt, Transfer
Description of procurement procedure

Instruments in quantities of 5, 10 or up to several hundred are received at one time in the stockroom. The instruments are usually government surplus which have been purchased from surplus dealers or by bid from the General Supply Agency. The bids are specific as to type and quality of the instruments, but no requirement is made as to the radioactive material contained.

Records are kept in a Kardex system which contains data such as the date of receipt, supplier, quality, accounting data and the type for each instrument. This system does not indicate whether the instruments contain radioactive dials, etc. The principal instruments purchased are air speed indicators and gyro horizons.

Comments: (procurement rate - quantity and date)

Examples of procurement rates, quantities and dates follows:

Purchased from July 1, 1966 to December 8, 1966 - 1,200 instruments of which 100 were air speed, a few were other instruments and the remainder were gyro horizons.

6. Inventory of Licensed Material

<u>Isotope</u>	<u>Quantity Licensed - Possessed</u>	<u>Form</u>
Ra-226	700-800 gyro horizons	Paint on instrument dials and hands

B. OPERATIONS, FACILITIES, INSTRUMENTATION (DESCRIPTIONS):

1. Use of Licensed Material

Licensed material is used only inasmuch as the radioactive material on surplus instrument dials and pointers is stripped off prior to repainting the instruments with non-radioactive materials and reassembling and repair of the instruments for resale.

2. Facilities and equipment

Facilities include one large Butler type building as shown in a sketch added to this report. Three specific areas are indicated as areas in which radioactive materials will be used. The first is the storage area which consists of a stockroom on a balcony at the rear of the building and is used for storage of intact instruments prior to teardown and stripping. This room consists of an aisle between two long rows of shelves; the shelves at the back are the only shelves used for storage of radioactive dials.

The second area is designated a teardown area. It is an area about 20 ft. by 20 ft. containing workbenches where the instruments are torn down. The area is not separated physically from the other parts of the plant and is designated administratively as semi-restricted. This area is used solely for the teardown of possibly radioactive dials and this is a sporadic procedure.

The third area is the stripping area and is the only completely restricted area. The entrance is limited to those persons working in the area. The connecting door to the remainder of the plant is posted adequately; however, the door to the yard outside the plant was not posted. The area designated as the stripping area contains two stainless steel work top benches, a hood, a work table and is used for storage of the radioactive waste in the solvent and dry forms.

3. Storage

Storage of the possibly radioactive dials is accomplished in the storage room described above. Storage of the radioactive materials stripped from the dials is accomplished in the stripping room in a stainless steel bucket with a snap top lid. After the solvent has been filtered, storage of the ash from the burned filters was accomplished in a second bucket that was not at the time of the inspection fitted with a lid. Neither of these buckets was adequately posted.

4. Restricted area, where and who controls?

The only completely restricted area at the time of the inspection was the stripping room which is controlled administratively by Mr. C.L. Sawyer. It was adequately posted on the door opening into the plant but was inadequately posted on the outside door.

5. Instrumentation (type-range-operable-calibration)

The only instrumentation available are Ludlum Model 12 with a 1.5 inch diameter probe and a civil defense Geiger counter. No calibration equipment was available for either of these instruments, except for three alpha check sources of nominal 250, 2,500 and 25,000 counts per minute (cpm) supplied by the Kansas State Department of Health. It appeared that the alpha instrument was not functioning properly at the time of the inspection and return to the manufacturer for repair was recommended.

6. Posting and labeling (include control devices)

- a. Area posting: The stripping area and the storage area are both posted as containing radioactive materials and entrance into the stripping area was restricted.
- b. Container labeling: Neither of the waste containers were labeled properly.
- c. Source tags: Not applicable

C. RADIOLOGICAL PRACTICES

1. Survey Program

a. Description of surveys (controlled and uncontrolled areas)

Biweekly surveys with the Ludlum meter had been carried out in January 1966 as required by the license. In the months following January, however, survey frequency was not maintained at the biweekly level. Survey records indicated at least partial surveys had been performed on the following dates: 3-11-66, 7-22-66, 7-26-66, 7-29-66, 8-1-66, 8-5-66, 8-8-66, 10-31-66 and no surveys have been conducted since 10-31-66. All surveys had been reported in terms of counts per minute rather than disintegrations per minute and no areas were defined in the survey.

b. Results (levels, etc.)

Results of the survey indicated levels from 0 cpm at many of the survey points to 3,000 cpm. The survey points that are consistently high were Nos. 1,2,4,5,6,7,8,10,18 & 19. Sample readings at these points were taken on 8-8-66:

1; 1,200 cpm; 2, 1,500 cpm; 3, 500 cpm; 4, 600 cpm; 5, 1,000 cpm.

2. Personnel Monitoring

Personnel monitoring by film badge or pocket dosimeter is not and never has been used by Standard Precision.

3. Waste Disposal

Description:

In the stripping room, a paint stripping solvent (Stanazol; Stoddard solvent) is used to strip the radioactive paint from the faces and hands of the radium painted dials. This radium contaminated solvent is then filtered by suction, the filtrate or supernate is washed down the drain into the sewers and the filters are burned and the ash collected for storage and disposal to a commercial waste disposal organization. No analysis had been run on the supernatant and there have been no disposals of the waste ash. The stripping solution before filtration is stored in a stainless steel can with a clasp top and the ash from the burned filters is stored in a one gallon bucket with no lid. There has been no disposal of waste licenses issued.

4. Leak Tests

Not required

D. MISCELLANEOUS

1. Incidents: None

2. Inspector's Survey Results:

From the map included in the report, the following area numbers and the following survey results are reported by the inspectors at the time of the inspection:

Fixed Contamination Survey With PAC-3G Alpha Meters

Results:

<u>Area Number</u>	<u>dpm/60 cm²</u>		
1	200,000 +		
2	50,000		
3	16,000		
4	5,000		
5	20,000		
		Bench Top	
		(Left end)	(center) (Right end)
		4,000	40,000 12,000
6	20,000-30,000		
7	3,000		
8	6,000		
9	20,000		
10	2,000-6,000		
11	5,000-6,000		
12	5,000		
13	600		
			500 (10 inches front door)
14	600		
15	200 (30 inches front doot)		
16	12,000		
17	40,000		
18	12,000		
19	1,000		
20	600		
21	400-1,000		
			(one spot 15,000-18,000)

<u>Area Number</u>	<u>dpm/60 cm²</u>
22	800
23	400-1,000
24	800
25	800
26	500
27	800-1,000

Removable alpha contamination: Filter paper wipes counted in IPC

<u>Sear Number</u>	<u>Area Number</u>	<u>dpm/100 cm²</u>
12	21 at area of hot spot	44
14	" "	102
15	1	174
16	4	125
17	10	351
18	Stripping room work area at highest alpha count	275.0
19	Stripping room work area at highest alpha count	198
20	Inside of waste can	602.0
21	Inside of hood	1008.4 = 19.9/sample 16.2 dpm/mg or 16,200 dpm/gram

Air samples were taken at flow meter reading of 40 (equivalent to 3.06 l/min.) for 10 minutes through AA millipore filters with a Gelman battery powered pump, and counted immediately with the PAC-3G Eberline Alpha meter. Nothing over background was obtained from either of the air samples; one taken near the hood and one taken over the bench top in the stripping room.

The gamma levels at various locations in the plant, taken with a NUCOR CS-40A ionization chamber:

1. Stockroom aisle near the supply of gyro horizons - 2-5 mR/hr.
2. Middle of stripping room - 1 mR/hr.
3. Drain gutter " " - 5 mR/hr.
4. Sink area " " - 2 mR/hr.
5. Hood at top inside " - 60 mR/hr.
6. Hood working space " - 11 mR/hr.

Samples were collected of stripping solvent (A) and material in gutter (B)

Laboratory evaluation is as follows:

- A. 500 lambda sample of liquid dried and counted in IPC yielded gross alpha count of 740 dpm/ml.
- B. 428 mg. of solid dried and counted in IPC yielded a gross alpha count of 8.86 dpm/mg or 8,860 dpm/gram.

INSPECTION REPORT

A. GENERAL INFORMATION:

1. LICENSEE: Standard Precision, Inc.
4105 West Pawnee
Wichita, Kansas
2. LOCATION OF OPERATION:

Same as above
3. LICENSE NO. 25-R061-01
EXPIRATION DATE: July 11, 1970
4. DATE OF INSPECTION: April 21, 1970
INSPECTED BY: Elaine Murray *fm*
5. PERSONS INTERVIEWED:

Elmer Bailey, Radiation Protection Officer
and Quality Control Manager
6. TYPE OF INSPECTION:

Re-inspection; also, to investigate a reported 20 mR/hr field near the railroad tracks.
7. PREVIOUS INSPECTION:

March 18, 1969
8. ITEMS OF NON-COMPLIANCE:
 - a. Previous Inspection (March 18, 1969)

None
 - b. Current Inspection (April 21, 1970)

None
9. INDICATION OF INCIDENTS OR ACCIDENTS:

None
10. UNUSUAL CONDITION:

None
11. RECOMMENDED DATE FOR NEXT INSPECTION:

April, 1973
12. EXIT INTERVIEW:

The results of the inspection were discussed with Mr. Elmer Bailey, Mr. Bailey was advised that a letter confirming the inspection would be sent to him.

B. ADMINISTRATION:

1. ORGANIZATION:

Standard Precision is a division of Electronic Communications, Inc. Mr. Frank Grigware is Vice President and General Manager.

2. RADIATION PROTECTION OFFICER:

Mr. Elmer Bailey is the Radiation Protection Officer. Mr. Bailey reports directly to Mr. Grigware. It should be noted that Mr. Bailey replaced Clem Sawyer as Radiation Protection Officer in late 1969.

3. PURCHASING AND RECEIPT CONTROLS:

Mr. Bailey is responsible for ordering and handling all radioactive material.

C. OPERATIONS:

1. TYPE OF OPERATION:

Current work mainly involves making computer components for IBM. This work does not involve the use of radioactive material.

2. INVENTORY:

In years past, Standard Precision Division was involved with stripping radium paint from surplus aircraft instruments. The only inventory of radioactive material at present consists of a few aircraft instruments left over from past stripping operations.

Instrument containing radioactive material on hand were as follows:

NAME	NUMBER
1. Free Air Temperature Indicator	4
2. Tractometer	1

The licensee stated that the five instruments containing radioactive material have been on hand for several years. No instruments containing radioactive material have been shipped or received since the March 18, 1969 inspection.

3. FACILITY:

a. Operating: The licensee is no longer involved with dial stripping or any other work using radioactive material.

b. Storage Area: The instruments containing radium are stored in the stock room which is located above the main assembly area.

4. SURVEY INSTRUMENTS:

The licensee has the following portable survey instruments.

a. Ludlum Model 12 rate meter fitted with a Model 43-2 Zinc Sulfide detector.

b. Victoreen Model 661 GM meter.

D. POSTING, LABELLING, AND DESIGNATED AREAS:

1. POSTING:

The shelf containing the radium instrument was posted "Caution - Radioactive Material".

2. RH-3:

Form RH-3 was posted.

3. SECURITY:

Only authorized persons are allowed in the stock room. The removal of instruments containing radium must be cleared by Mr. Bailey.

E. PERSONNEL MONITORING:

None

F. SURVEY PROGRAM:

1. Licensees - None

2. Inspector - The inspector conducted a survey to determine radiation and contamination levels. Measurements were taken at the following locations:

Location	mR/hr	Alpha dpm/100 cm ²
1. Stock room, 6 inches from Free Air Temperature Indicators	1	-
2. Stock room, floor	0	2
3. Storage area (old stripping area) floor	0	15
4. Paint shop floor	0	5
5. Lab hood (stored behind building)	0.5	200
6. Sink (Stored behind building)	0.5	300

An attempt was made to locate the radiation field mentioned in Item A. 6. Mr. Guy Oldfield informed Garry Allen that in 1966 a 20 mR/hr field existed near the railroad track at Standard Precision, Inc.

There is a railroad across Kansas Hiway-42 from Standard Precision's 4105 West Pawnee location. A 300 yard section of the track was surveyed, but no radiation above background was found. Mr. Bailey stated that Standard Precision also has a facility on Gilbert Street near the downtown Wichita area. A 0.4 mR/hr field was found near the railroad tracks which ran along the east side of the Gilbert Street facility. Apparently, this is the area that Mr. Oldfield had mentioned. However, the radiation levels are now such that is no longer a significant problem.

Standard Precision, Inc.
May 7, 1970
Page #4

G. WASTE DISPOSAL:

None

H. TRANSPORTATION:

None

I. DOCUMENTATION; RECORD, & REPORTS:

The licensee had the following documents.

1. Kansas Radiation Protection Regulations.
2. Copy of license.

J. RADIATION PRODUCING DEVICES; NON-IONIZING RADIATION PRODUCING DEVICES:

None

Reviewed by

Pruneri

Date

5-8-70

BM:al

Standard Precision, Inc.
May 7, 1970
Page #5

K. EVALUATION:

The licensee's present program consists of storing five aircraft dials containing radium. As a result, the associated radiological problems are rather limited.

REC'D. MAR 12 1970

Background Information
for
media files

ELECTRONIC COMMUNICATIONS, INC.

St. Petersburg Division
Benson Manufacturing Division
Standard Precision Division
Scott Electronics Corporation

Public Relations Department
Post Office Box 12248
St. Petersburg, Florida 33733
Telephone: (813) 347-1121,
ext. 488, 489

UPDATED →

March 1, 1970

ECI is a subsidiary of The National Cash Register Company

Brief Business History

The Company began operations in 1927 under the name Air Associates, Inc. Its initial business was the selling of supplies and services to the aviation industry; in the early '30's it began the manufacture of various aircraft components. During World War II, it entered the electronics field, specializing in the design and production of airborne electronic communication equipment. Growth in the field was immediate and rapid.

In 1957, recognizing what by then had become its major activity, the Company adopted the name Electronic Communications, Inc., and moved its corporate headquarters and principal manufacturing facility from Teterboro, N.J. to St. Petersburg, Fla. The aircraft supply business was transferred to Air Associates, Inc., a wholly-owned subsidiary. This subsidiary was sold in 1963. On September 17, 1968, ECI became a subsidiary of The National Cash Register Company through an exchange of common stock.

Electronic Communications, Inc., consists of four operating elements: St. Petersburg Division, which includes the Aerospace Electronics Group and the Data Communications Group; Benson Manufacturing Division, in Kansas City, Mo., specializing in metals fabrication for aerospace and industrial purposes; Standard Precision Division, in Wichita, Kans., where instruments and electromechanical equipment are produced for the general aviation field and Scott Electronics Corp., a subsidiary in Orlando, Fla., providing magnetic components for communication, radar and computer equipment.

Principal Officers

S. W. Bishop, President

R. J. Dean, Vice President and Benson Manufacturing Division
General Manager

F. J. Grigware, Vice President and Standard Precision Division
General Manager

P. G. Hansel, Vice President-Aerospace Electronics

J. W. Lazur, Vice President-Data Communications

C. L. Lord, Vice President-Finance

L. W. Willey, Vice President-Materiel and Facilities

P. L. Scott, President, Scott Electronics Corporation

St. Petersburg Division

ECI's principal engineering and manufacturing operations are centered in St. Petersburg where the Aerospace Electronics Group and the Data Communications Group share a 375,000 square foot facility which includes an engineering building of 175,000 feet and a manufacturing plant of 200,000 feet.

The Aerospace Electronics Group's interests include command and control radio communication systems; UHF transmitters, receivers and accessories; earth-environment terminals for satellite communications; telemetry transmitters; multiplex equipment; power amplifiers; special purpose analog computers; antennas; test and checkout equipment and microelectronic techniques.

In the area of command and control, ECI is the prime contractor and systems integrator for the UHF command and control communication system which has been employed since 1961 by the Strategic Air Command for its Airborne Command Post. This program is now in its third equipment generation. Flying around-the-clock, SAC Airborne Command Posts have the communication capability to assume direction of a retaliatory strike in the event that underground and alternate command posts are lost in an enemy attack. ECI is responsible for equipment and electronic systems integration in similar programs in Europe and the Pacific. All of these programs are now a part of the Air Force's Worldwide Airborne Command Post.

In tactical command and control, ECI produces communication systems for the Marine Tactical Data System and shipboard radio sets for the Navy Tactical Data System. The Marine Corps systems are installed in shelters which can be air-transported into forward combat areas, providing field commanders with high-powered ground-air command and control communications capable of handling both voice and data.

For tactical satellite communication programs, ECI produced earth environment terminal equipment for both the LES-5 (Lincoln Experimental Satellite) and LES-6 programs. These programs established the feasibility of utilizing satellite relay for world-wide communication between operating elements of the armed forces. ECI is now producing satellite communication terminals for Worldwide Airborne Command Post aircraft.

For the nation's space program, ECI contributions include flight control computers and electronic components for the Saturn/Apollo program, telemetry transmitters, power supplies, servo amplifiers and ground support equipment.

Other communication programs include ultra reliable command radio sets for the Air Force; microelectronic data link radios for Navy aircraft; tactical multiplex equipment for Air Force and Marine Corps tropospheric scatter communication systems; telemetry equipment for the Navy; special purpose transmitters and receivers for Minuteman launch sites; transmitters for NATO's NADGE program, radio sets for various NATO nations and a variety of research and development projects.

The Data Communications Group, established early in 1970, is concentrating in the data distribution and electronic data processing fields, with an emphasis on the development of peripheral systems for computer applications. This group is also concerned with various commercial, industrial and civil programs including the Signal/One line of amateur and special purpose radio equipment. The Signal/One line was started in 1968 in the belief that many of the sophisticated new electronic techniques developed for the aerospace market could be effectively applied in other markets. The initial Signal/One product, a deluxe integrated radio transceiver, has already set new high standards in the world of amateur radio.

Benson Manufacturing Division

ECI acquired the Benson Manufacturing Company in Kansas City, Mo., in August, 1963. Established in 1907, Benson operates three plants in Kansas City with a total area exceeding 200,000 square feet.

A precision metals fabricator with an outstanding reputation for skill and craftsmanship, Benson is active in three principal areas: metal-worked components for defense and space systems, blowers and heat exchangers for the aerospace industry and aluminum and stainless steel barrels and containers for the chemical, brewing and food industries.

Critical components manufactured by Benson have flown in virtually every space and missile program, including Apollo, the Lunar Module, Mercury, Gemini, Saturn, Centaur, Rascal, Atlas, Meteor and Talos.

Benson fans, blowers and heat exchangers are widely used in military aircraft, with particular emphasis on the helicopter field. Many free world helicopter manufacturers use lightweight Benson blowers, including companies in Italy, Japan and France.

Benson is the nation's largest producer of aluminum and stainless steel containers. Brewers' barrels have become a major item, with production peaks reaching more than 1,000 barrels per day.

Standard Precision Division

Standard Precision of Wichita, Kans., was established in 1949 and acquired by ECI in 1959. Standard Precision has two facilities in Wichita with a total area of approximately 100,000 square feet.

Standard Precision produces a line of flight, engine and other cockpit instruments for the general aviation industry. The Division also produces a variety of electromechanical items including rotary and linear actuators for aircraft use, miniaturized and standardized motors.

Standard Precision maintains facilities for overhaul and repair of aircraft instruments and electromechanical equipment, and a screw machine facility which is producing parts for ordnance fuses.

Scott Electronics Corporation

Scott Electronics Corp., Orlando, Fla., was established in 1964 and joined the ECI family in September, 1965. Its modern, fully air-conditioned facility has 60,000 square feet of floor space.

The Company specializes in the development and production of magnetic components for communications, radar and computer equipment. Its products include magnetic amplifiers, filters, transformers, saturable reactors, toroidal components, inverters, converters and associated electronic modules.

Scott products are used in airborne radar, shipboard navigational equipment, the Sprint missile, the Saturn flight control computer and a variety of computer and communication systems.

For Further Information, Contact:

Robert E. Steele, Director of Public Relations
Home Phone: (813) 347-0711

Office Phone: (813) 347-1121, extensions 488 and 489

Office Address: Post Office Box 12248, St. Petersburg, Florida 33733

QUESTION 6

COPY

STATE OF KANSAS
RADIOACTIVE MATERIALS LICENSE

Page 1 of 2 Pa

Pursuant to the Nuclear Development and Radiation Control Act (L. 1963, ch. 290) and the Radiation Protection Regulations, Part 3, and in reliance on statements and representations heretofore made by the licensee designated below, a license is hereby issued authorizing such licensee to transfer, receive, possess and use the radioactive material(s) designated below; and to use such radioactive materials for the purpose(s) and at the place(s) designated below. This license is subject to all applicable rules, regulations, and orders now or hereafter in effect of the State Department of Health and to any conditions specified below.

Licensee		3. License number
1. Name Standard Precision, Inc.		25-R061-01 (E 67)
4105 West Pawnee		4. Expiration date
2. Address Wichita, Kansas		May 31, 1967
		5. Reference number
6. Radioactive materials (element and mass number)	7. Chemical and/or physical form	8. Maximum quantity licensee may possess at any one time
A. Radium 226	A. See Item 9, A. below.	A. See Item 9, A. below.

CONDITIONS

9. Authorized use. (Unless otherwise specified, the authorized place of use is the licensee's address stated in Item 2 above.)
- A. The licensee is authorized to receive aircraft instruments bearing radium activated luminous compounds, to disassemble the instruments and remove the radioactive material from the instruments during the process of reconditioning or restoring the instruments, and to store the radioactive residues until proper disposal can be made.
10. The licensee shall comply with the provisions of Part 4 of the Kansas Radiation Protection Regulations.
11. Radioactive material shall be used by, or under the supervision of, Howard Chadd.
12. The licensee shall not transfer possession and/or control of materials or products containing radioactive material as a contaminant except;
- A. By transfer of waste to an authorized recipient;
- B. By transfer to a specifically licensed recipient; or
- C. As provided otherwise by specific condition of this license pursuant to the requirements of 28-35-59 (A) of the Kansas Radiation Protection Regulations.

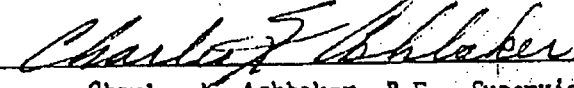
STATE OF KANSAS
RADIOACTIVE MATERIALS LICENSELicense Number 25-R061-01

13. The licensee shall make contamination surveys, using a suitable instrument for alpha or beta detection, at least once weekly. A record shall be made of all surveys and maintained for inspection by the Department.
14. Except as specifically provided otherwise by this license, the licensee shall possess and use radioactive material described in Items 6, 7, and 8 of this license in accordance with statements, representations, and procedures contained in the application dated February 24, 1965, and a letter from H. W. Scudlo dated December 29, 1965.

FOR THE STATE DEPARTMENT OF HEALTH

Date JAN 5 1966

By



20-3894



6-64-4M

Charles K. Ashbaker, P.E., Supervisor
Licensing and Registration Unit

COPY

STATE OF KANSAS
RADIOACTIVE MATERIALS LICENSE

Page 1 of 1 pages
Amendment No. 1

Pursuant to the Nuclear Development and Radiation Control Act (L. 1963, ch. 290) and the Radiation Protection Regulations, Part 3, and in reliance on statements and representations heretofore made by the licensee designated below, a license is hereby issued authorizing such licensee to transfer, receive, possess and use the radioactive material(s) designated below; and to use such radioactive materials for the purpose(s) and at the place(s) designated below. This license is subject to all applicable rules, regulations, and orders now or hereafter in effect of the State Department of Health and to any conditions specified below.

Amends license in its entirety

Licensee 1. Name Standard Precision, Inc. 4105 West Pawnee 2. Address Wichita, Kansas 67201		3. License number 25-R061-01 (G 70)
		4. Expiration date July 31, 1970
		5. Reference number
6. Radioactive materials (element and mass number) A. Radium 226	7. Chemical and/or physical form A. See Item 9. A. below	8. Maximum quantity licensee may possess at any one time A. See Item 9. A. below

CONDITIONS

9. Authorized use. (Unless otherwise specified, the authorized place of use is the licensee's address stated in Item 2 above.)
- A. The licensee is authorized to receive aircraft instruments bearing radium activated luminous compounds; to disassemble the instruments and remove the radioactive material from the instruments during the process of reconditioning or restoring the instruments; and to store the radioactive residues until proper disposal is made.
10. Radioactive material may be used only by, or under the supervision of Eugene Hill.
11. Except as specifically provided otherwise by this license, the licensee shall possess and use radioactive material described in Items 6, 7, and 8 of this license in accordance with statements, representations and procedures contained in the following documents:
- (a) the Standard Precision Division Interdepartmental Memorandum dated May 1, 1968, signed by Gene Hill.

JUL 23 1968
Date _____

FOR THE STATE DEPARTMENT OF HEALTH

By _____

COPY

Page 1 of 1 Pages

STATE OF KANSAS
RADIOACTIVE MATERIALS LICENSE

Standard Precision, Inc.
4105 West Pawnee
Wichita, Kansas 67201

License Number 25-R061-01
Amendment No. 2

Supplementary Sheet

License number 25-R061-01 is hereby amended as follows:

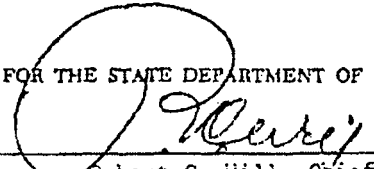
To Read:

Condition 10: Radioactive Material to be used only by or under the supervision of
Mr. Clem Sawyer.

Date AUG 19 1969

FOR THE STATE DEPARTMENT OF HEALTH

By


Robert C. Will, Chief

30-5094

6-84-4M

COPY

Page 1 of 1 Pages

STATE OF KANSAS
RADIOACTIVE MATERIALS LICENSE

Supplementary Sheet:

License Number 25-R061-01
Amendment No. 3

Standard Precision, Inc.
4105 West Pawnee
Box 1297
Wichita, Kansas 67201

License number 25-R061-01 is hereby amended as follows:

To read:

Condition 10: Radioactive material to be used only by or under the supervision
of Mr. E. L. Bailey.

MAY 28 1970

Date _____

FOR THE STATE DEPARTMENT OF HEALTH

By _____

SD-3594



6-24-AM

Robert C. Will, Chief
Radiation Control Section

COPY

STATE OF KANSAS
RADIOACTIVE MATERIALS LICENSE

Page 1 of 1 P. 1

Supplementary Sheet:

License Number 25-R061-01

Amendment No. 4

Standard Precision, Inc.
4105 West Pawnee
Box 1297
Wichita, Kansas 67201

License number 25-R061-01 is hereby amended as follows:

To read:

Item 3: 25-R061-01 (G 72)

Item 4: July 31, 1972

FOR THE STATE DEPARTMENT OF HEALTH

By

Robert C. Will
Robert C. Will, Chief
Radiation Control Section

30-2894



6-54.4M

JUN 23 1970

Date

QUESTION 8



30-Year Veterans

BILL ANDERSON AND JOHNNY WALKER (left and right respectively) talk old times with ECI President Peter L. Scott as they look through the Company's annual report for 1941 — the year they joined the Company. They were the first employees to complete 30 years continuous service. Each was presented with an engraved watch.

Johnny Walker and Bill Anderson First Thirty-Year ECI Employees

John F. Walker, Jr., of Production Control on November 10 became ECI's first 30-year employee. Seven days later William E. Anderson of Engineering Quality Control became the Company's second 30-year man.

When they joined the Company it was known as Air Associates, Inc., and had just completed a move from Long Island to Teterboro, N. J. In 1957 they moved with the Company to St. Petersburg.

Three generations of Walkers are, or have been, ECIers. John, Sr., was an employee during World War II. John, III, joined in 1965 and is currently an expeditor in Peripheral Equipment Engineering.

John, Jr., now a project control planner in Production Control, was initially a move man, then a dispatcher and an expeditor.

Anderson, an engineering aide in Engineering QC, started in 1941 as a blue print runner. He left on military leave in 1942 for three years' service with the

Navy and returned after the war as an inspector. He later became senior inspection specialist.

Through the years the two have worked closely together—not always too harmoniously, they agree.

"For many years," said Walker, "I was an expeditor and Bill was an inspector. My job was to keep the product moving and Bill's was to see that it passed inspection. We didn't always agree."

They do agree on one point — the Company has seen a tremendous change since they joined 30 years ago. In those days it was essentially a machine shop, producing actuators, motors, hydraulics and other equipment for aircraft. Now the business is totally in defense and space electronics.

- Standard Precision Shifts to NCR

Responsibility for the Standard Precision Division, Wichita, Kans., will transfer from ECI to NCR's Data Terminals Division effective January 1.

This marks the last in a series of moves designed to concentrate ECI's business operations exclusively in the defense and space fields.

Following the designation of ECI as NCR's defense and space contracts center, the Company sold its amateur radio, beer barrel blower and heat exchanger

product lines to other companies. ECI President Peter L. Scott said the transfer of Standard Precision to NCR is "most appropriate since most of Standard Precision's business is now centered in the production of electromechanical subassemblies and related equipment for NCR."

Standard Precision was founded as Standard Products, Inc., in 1949. It was acquired by ECI in 1959. Its product line of electromagnetic items was transferred recently to Scott Electronics Corp., ECI Orlando subsidiary.

ON THE SPORTS SCENE

with Lucille Iacovelli

Burt Mills shot the first hole-in-one in the history of ECI Golf Association tournaments last month with a 3-wood drive on the 189-yard 15th hole at the Pelican Golf and Country Club. It was the first hole-in-one in more than 30 years of golfing for Mills, who retired earlier this year as sergeant of the ECI Security Force.



The achievement won for him a bear hug from big Jimmy Jones, director of systems and instrumentation engineering, and a trophy from the Golf Association.

Once the excitement had subsided, Tournament Chairman Joe Motta checked the tourney results and announced that Nick Kratchik of Assembly had won the championship with a net 143 for the 36-hole, two-day event. Flight winners were Way Bandy, John Pills, Walter Shortell and Fred Schneider.

Since the 15th hole was one of four chosen for closest-to-the-pin competition, Mills' name led the list of winners in that category. Others over the two days were Kratchik, Ed Payne, Vince DiFilippo, Ed Faigle and Way Bandy.

The tournament was the last of the year for the Golf Association. Based on season-long competition, points for Golfer of the Year will be calculated and the winner announced in the January Communicator.

Mary Carosella — Personality

(Continued from Page 2)

now to push rapidly ahead with the new products.

She cheerfully accepts the challenge of an instructor's job. It's her responsibility to assign work, keep production records, help the assemblers over the rough spots, keep the product moving on schedule and to lend an ear to everyone's problems.

"I guess you could say it is mostly human relations in action," she says.

Away from the plant, Mary's interests are many.

She is active with the Lutheran Church of the Holy Comforter on Treasure Island and sings with the choir.

She enjoys homemaking. "I've never lost interest in home economics. If I went back to school again, I would major in the subject. I would like to teach it."

She collects earrings and has more than 100 sets. When she won her 10-year ECI service pin,

she combined it with her 5-year pin and converted them into a set of earrings.

Her children have long since finished school; both in fact hold masters degrees. Her son, with four children of his own, is a nuclear engineer in San Diego. Her daughter, who raises Irish wolfhounds as a hobby, is married to a professor at Southern Illinois University.

It goes without saying that her favorite sport is horseshoes. "I've loved it since I was a kid in the West Virginia hills."

She and her husband frequently pitch horseshoes in their backyard. And in their car they keep a set of shoes and pegs.

"When we go for a drive and pass a nice spot, maybe on the beach, we often stop and have a game."

She's not complaining, but she does wish there were an opportunity to toss the shoes while on her ECI lunch break!

Electronic Communications, Inc.

Box 12248

St. Petersburg, Fla. 33733

Address Correction Requested



Communicator

ELECTRONIC COMMUNICATIONS, INC.

A Subsidiary of NCR

VOLUME 11, NO. 1

ST. PETERSBURG, FLORIDA

January 10, 1972



State-of-the-Art Radios

WITH AN/ARC-151 RADIOS for MIT's Lincoln Labs are from left, Project Engineer Bruce Myers, Engineering Aide Eric Larson and Lab Technicians Juanita Carlton and Loretta Port. The three units will be used in support of Lincoln Labs' space research programs. The AN/ARC-151 has been described as the most advanced UHF radio set ever developed.

For Life Support Program

Survival Radio Test Sets In New Air Force Contract

ECI will produce an additional 92 AN/URM-95A survival radio test sets under a new contract with the U.S. Air Force.

Under earlier contracts ECI has provided a total of 216 URM-95A's plus a variety of adapters and test set calibrators. San Antonio Air Materiel Area of Kelly AFB, Texas, is the procurement agency.

Greece Orders VHF/UHF Radios

ECI has announced the sale of 18 radio communication systems to the government of Greece.

The systems, including radios, antennas and control boxes, will be used for ground-to-air communications by the Greek Civil Aviation Service.

The radios are single channel UHF versions of the Company's new VHF/UHF radio communication equipment. It will be possible later to incorporate VHF capability in the equipment if desired by inserting one additional module in each set.

The equipment will represent the second installation of ECI radio systems in Greece. ECI transmitters, power amplifiers and antennas are currently in use with NATO communication stations in that country.

They will also represent the second installation of the new single channel radios in Europe. Some 325 VHF/UHF radios are presently in production for the Royal Netherlands Air Force.

Used in the Air Force Life Support Program, the URM-95A is designed to evaluate the operational readiness of nine different Air Force UHF beacons and transceivers.

Survival radios are carried by Air Force flight crews for emergency use. Pre-flight use of the URM-95A test set insures that the equipment is functioning properly.

The URM-95A is packaged in an all-environment combination case which weighs less than 60 pounds, including the test set, accessories and boxes designed to adapt the set to different beacons and transceivers. It tests for transmit power, transmitter modulation, receiver sensitivity, receiver center frequency, transmitter and receiver DC current and battery condition.

Art Kruger of Special Devices Engineering is project engineer for the program and Robert C. Riley of Contract Administration is the program manager.

1971 - A Year of Change for ECI

'Devoting Full Time to the Thing We Know Best — Namely Military and Space Electronics'

Nineteen seventy-one was a year of change for ECI.

Perhaps the most apparent change was the quickened pace throughout the Company as the backlog of orders doubled during the final six months of the year.

More basic, however, were changes in the Company's organizational structure, its business philosophy and its operating procedures.

On March 1, Peter L. Scott became president. He had been executive vice president since September, 1970 and previously, president of ECI's subsidiary Scott Electronics Corporation in Orlando, which he founded in 1964.

In May, ECI was designated as NCR's defense programs center. All NCR military contracts would be consolidated at ECI and the Company would concentrate its business solely in defense, space and related areas.

This had widespread impact —

● In St. Petersburg, the Signal/One line of amateur radios was sold and ECI added a new product line of thermal printers, keyboards and related equipment;

● In Kansas City, Missouri, the Benson Manufacturing Division was closed after the sale of its

product lines, including beer barrels, blowers, heat exchangers and metal products for space and aircraft use;

● In Wichita, Kansas, responsibility for the Standard Precision Division was transferred to NCR's Data Terminals Division. Earlier, Standard's line of electromagnetic products had been transferred to Scott Electronics and the line of aircraft instruments was sold to another company. Most of the remaining business involved subassemblies for NCR business equipment;

● In Orlando, Scott Electronics broadened its product base to handle the line of electromagnetic products previously produced at Standard Precision.

All of this put ECI in a position "to devote its full time to the thing we know best — namely, military and space electronics," according to President Scott.

Thus, despite the problems which continued to trouble the aerospace electronics industry, by year-end ECI's backlog had increased significantly.

Many factors contributed to this, including organizational moves designed to strengthen the Company's competitive posture through more effective control of contract schedules, performance and

See Year of Change, Page 3

Product Service Is Strengthened

Kenneth A. Goodman has been promoted to the new position of manager of product service and depot repair.

Reporting to Guy H. Whitley, director of program support in the Programs Department, Goodman will be responsible for a broadening and strengthening of the product service and depot repair function.

"Not only will the group be responsible for speedy, efficient depot servicing of ECI products," Whitley said, "but we are going after depot repair contracts for other specialized products."



GOODMAN

Cecil C. Gibson, supervisor of manufacturing depot repair, will work closely with Goodman but will continue to report to the

See Product Service, Page 3

For Immediate Release

WICHITA PLANT BECOMES
OPERATING UNIT OF NCR

The Standard Precision Division of Electronic Communications, Inc., has become part of the Data Terminals Division of the National Cash Register Company, it was announced today.

Standard Precision, located in Wichita, had been a division of ECI since 1959. ECI, located in St. Petersburg, Florida, is an NCR subsidiary. The Standard Precision plant henceforth will be known as the NCR Data Terminals Division Wichita plant.

Standard Precision, which has 180 employees, has been a producer of electro-mechanical parts for the general aviation industry, including instruments and gyroscopic devices.

As a unit of the NCR Data Terminals Division it will produce parts for the Ohio company's various business machine products and terminals, according to Plant Manager Frank L. Grigware. No changes in management or personnel are expected.

Commenting on the announcement, NCR Wichita branch manager K. P. Leyh said, "We are very pleased that NCR is broadening its commitment to the Wichita community with the establishment of an NCR production facility here."

Standard Precision has two production facilities in Wichita, totaling 100,000 square feet. The main facility is at 4105 W. Pawnee with a second plant site at 650 E. Gilbert. The firm was founded in 1949.

(more)

A portion of Standard Precision's former aircraft instrument business has been sold to EDO-Aire Division of EDO Corporation in Wichita to make room for the NCR production. Some other portions of its production have been transferred to an ECI subsidiary, Scott Electronics, of Orlando, Florida.

Wichita becomes the fifth plant city within the NCR Data Terminals Division. The division's largest factory and its headquarters are in Dayton, Ohio. Other plants are located in Cambridge, Ohio; Ithaca, New York; and Millsboro, Delaware.

NCR Kansas Facility New Plant for Parts

The National Cash Register Co. has acquired a new production facility in Wichita, Kan., to make parts for business machine products and terminals, it was announced today.

The Standard Precision division of Electronic Communications Inc., has become part of NCR's Data Terminals division.

Standard Precision had been a division of ECI since 1959. ECI, in St. Petersburg, Fla., is an NCR subsidiary. The Standard Precision plant will be known as the NCR Data Terminals division Wichita plant.

STANDARD, which has 180 employees, has been a producer of electro-mechanical parts for the general aviation industry,

including instruments and gyroscopic devices. As a unit of the NCR Data Terminals division, it will produce parts for NCR's various business machine products and terminals, according to plant manager Frank L. Grigware.

No changes in management or personnel are expected.

Commenting on the announcement, NCR Wichita branch manager K. P. Leyh said: "We are very pleased that NCR is broadening its commitment to the Wichita community with the establishment of an NCR production facility here."

Standard has two production facilities in Wichita totaling 100,000 square feet. The firm was founded in 1949.

A PORTION of Standard's

former aircraft instrument business has been sold to EDO-Aire division of EDO Corp. in Wichita to make room for the NCR production.

Some other portions of its production have been transferred to an ECI subsidiary, Scott Electronics of Orlando, Fla.

Wichita becomes the fifth plant city within the NCR Data Terminals division. The division's largest factory and its headquarters are in Dayton. Other plants are located in Cambridge, Ithaca, N.Y., and Millsboro, Del.

Details of the transaction were not disclosed, nor was there any conjecture from Dayton officials as to whether or not production here would be affected by the acquisition.

NCR purchases Kansas plant

By Mary Ann Hoy
Searched Business Writer

The National Cash Register Co. yesterday announced the acquisition of a Wichita, Kan., plant to be used for the production of parts for business machine products and terminals. The facility will also serve as a production source for NCR's new products program.

The plant, currently the Standard Precision division of Electronic Communications, Inc. (ECI), will be known as the NCR Data Terminals division Wichita plant.

STANDARD PRECISION, a division of ECI since 1959, has been a producer of electro-mechanical parts, including instruments and gyroscopic devices, for the general aviation industry. ECI, headquartered in St. Petersburg, Fla., is an NCR subsidiary.

Frank L. Grigware, plant manager, said that as a unit of the NCR Data Terminals division, the new facility will pro-

duce parts for NCR's various business machine products and terminals.

The acquisition will apparently not affect production at NCR's Dayton plant.

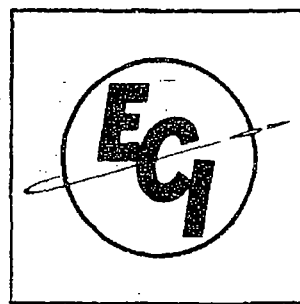
"As previously announced, NCR is currently bringing into production a number of important new products," a spokesman said. "The former ECI Wichita plant has been transferred to the NCR Data Terminals division to serve as a production source for this new products program."

STANDARD PRECISION currently employs 180 persons. NCR officials said no changes in management or personnel were expected.

The firm, founded in 1949, has two production facilities in Wichita totaling 100,000 square feet. A portion of the aircraft instrument business has been sold to EDO-Aire division of EDO Corp. in Wichita. Other portions of Standard's production have been transferred to an ECI subsidiary, Scott Electronics of Orlando, Fla.

Wichita is the fifth plant city within the Data Terminals division. The largest factory and division headquarters are in Dayton while other plants are located in Cambridge, Ohio, Ithaca, N.Y., and Millsboro, Del.

QUESTION 9



ELECTRONIC COMMUNICATIONS, INC. / 38TH ANNUAL REPORT 1965

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ELECTRONIC COMMUNICATIONS, INC. / 38TH ANNUAL REPORT 1965

An Invitation

Stockholders are cordially invited to the Annual Meeting to be held at the General Offices of the Company, 1501 72nd St. N., St. Petersburg, Fla., at 10:30 A. M. on Thursday, January 27, 1966.

HIGHLIGHTS 1965

REPORTED net income of 77 cents per share and special items of \$1.21 per share for a record total of \$1.98 per share.

ESTABLISHED new all-time record backlog of \$42,300,000.

REALIGNED corporate structure, as Benson Manufacturing and Standard Precision subsidiaries became operating divisions.

BROADENED and diversified product lines and extended prime customer base.

CONTRIBUTED increasingly to the nation's airborne command

and control posture with communication programs not only in this country but in Europe and the Pacific.

INITIATED research and development programs directed toward the achievement of all-electronic frequency synthesis and tuning for coming generations of ECI communication systems.

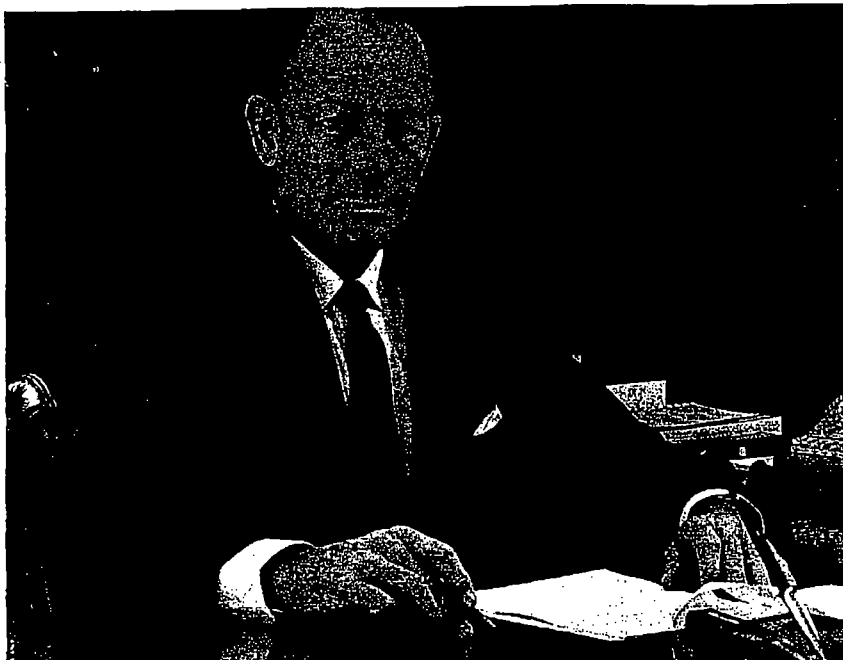
EXPANDED plant, personnel and facilities to enhance technical capability and to meet the demands of stepped-up production schedules in all divisions.

RESULTS IN BRIEF

	1965	1964
Net income per share	\$.77	\$.72
Special items per share	1.21 ⁽¹⁾	—
Net income and special items per share	1.98	—
Net sales	22,261,716	26,818,136
Income before taxes	966,009	887,389
Provision for taxes	400,000 ⁽²⁾	350,000 ⁽²⁾
Net income	566,009	537,389
Special items	862,000 ⁽¹⁾	—
Net income and special items	1,428,009	—
Backlog, September 30	42,300,000	21,800,000
Common shares outstanding	708,203	715,116

(1) Resulting largely from the elimination of deferred Federal income taxes through the expected utilization of a net operating loss carryover of a recently merged subsidiary; Includes the effect of issuing 7,110 shares of additional common stock in connection therewith.

(2) After giving effect to tax credit arising from carryover of operating losses of former subsidiaries.



President's Message

St. Petersburg, Florida
November 24, 1965

To the Stockholders:

Fiscal 1965 will be recorded as a benchmark year in our Company's growth pattern. At year-end closing all indicators pointed firmly upward. Despite the year to year cycles characterizing defense and space work, that portion of our business is in a strong expansion phase dominated by new products in programs of longer than normal duration. Similarly, commercial product lines in our Midwestern divisions have broadened and customer acceptance in all divisions has been excellent. As a result, our September 30 backlog reached \$42,300,000, by far the largest in the Company's history. Hence, sales and earnings for fiscal 1966 are forecast at record levels.

Our Company now has product lines offering a greater diversification, flexibility and market depth than ever before. As recently as five years ago our efforts were largely concentrated in a single program for a single customer, representing more than 50% of our sales. Now our record backlog includes almost 300 contracts involving a wide variety of military, space and commercial programs. No single contract accounts for as much as 20% of our total business. As a result, our base is

widespread and we are no longer critically vulnerable to program cancellations and cutbacks.

The success of the Company's policy of plowing back a substantial portion of earnings into product development is especially evident at St. Petersburg, the largest of our operating divisions. As the year ended there was a step-up in production schedules involving a wider range of customers and products than ever previously realized.

The St. Petersburg Division has greatly expanded its role both in the area of command and control communications and in space programs. Technical capability has grown markedly in many areas, notably in the discipline of microelectronics. All four military services and NASA, as well as other government agencies, are represented among our customers.

On November 23, 1965, stockholders approved the merger of our Benson Manufacturing Company subsidiary into ECI, and Benson will continue to operate as a division. As a result of this merger, it is expected that the net operating loss carryovers of Benson of approximately \$2,400,000 will be utilized by the Company, which eliminates the need for our deferred Federal income taxes at September 30, 1965. Largely because of this, we are reporting for 1965 special items of \$362,000, or \$1.21 per share of common stock.

Under ECI direction during the year, Benson moved into a prime contractor position with large production orders from both the Air Force and the Army, adding significantly to its growing list of customers. Also during the year new product programs were initiated and backlog grew steadily to an all-time peak at year end. Commercial products represented a healthy percentage of the total. Despite poor performance in recent years, the outlook at Benson is very encouraging and we have high confidence in its growth prospects.

The merger of Benson into ECI was the final step in a two-part corporate reorganization. The first step was completed on September 30 with the merger into ECI of our wholly owned subsidiary Standard Precision, Inc. Now a division of our Company along with Benson and the St. Petersburg Division, Standard Precision is concentrating its efforts in aircraft instrumentation and electromechanical fields. Sales realized from new products introduced during the year have progressed well and the backlog of orders is at a satisfactory level. We believe that the Standard Precision Division can maintain a strong market position and continue to expand along with the growth in the private and business airplane market.

Our financial condition at year end is strong, placing us in an excellent position to accelerate our expansion through carefully selected acquisitions. Discussions are currently in progress with several companies.

In summary, the gains achieved in fiscal 1965 reflect the strength of the foundation laid in recent years and heighten our confidence in the growth projected for our Company in the years ahead. Our progress is due, in large measure, to the continued support of stockholders, employees, customers, suppliers and the communities in which we operate. On behalf of management as a group, I extend our appreciation.

S. W. BISHOP
President

ST. PETERSBURG DIVISION

During 1965, the St. Petersburg Division enjoyed remarkable growth in the area of command and control communications, and strengthened its role of leadership in the development and production of ultra high frequency (UHF) communication equipment.

Through the St. Petersburg Division, ECI has become the nation's dominant company in electronic systems integration for airborne command and control programs. Nine contracts of this nature are currently in progress at St. Petersburg — an outgrowth of the Division's emphasis on systems engineering and its experience with system management in command and control communication programs.

As the year ended, increased production schedules reflected the success of a continuing stress on product development. Much of the increased tempo could be attributed to wide customer acceptance of the recently developed family of miniaturized UHF transmitter/receiver sets and the new line of multiplex equipment.

In addition, ECI responsibilities in the nation's space program continued to grow, contributing substantially to the stepped-up production activity and to the record backlog of orders.

Engineering was at a high point with more developmental and system integration programs in progress than at any time in the history of the Division.

Supporting the Division's growing role in defense and space technology were expansions and facility improvements in manufacturing, marketing, microelectronics and research.

Communications for Defense

As a result of contracts received during the year, ECI equipment and technical know-how are con-

tributing increasingly to the nation's airborne command and control posture, not only in this country but in Europe and the Pacific.

The Company has been given responsibility for electronic systems integration in an airborne command post program for the European command and is producing high capacity airborne multiplex equipment for the program. In addition, ECI transmitters and receivers will be used both in the air and in mobile ground installations.

ECI equipment is being employed in airborne command posts for the Pacific command, and Company engineers have been assigned to the Pacific area to help implement this program.

Other system integration programs involve various facets of the National Military Command System, including the Airborne Command Post of the Strategic Air Command. For the latter, now in its fifth year of highly successful and uninterrupted operation, ECI continues as prime contractor and systems integrator.

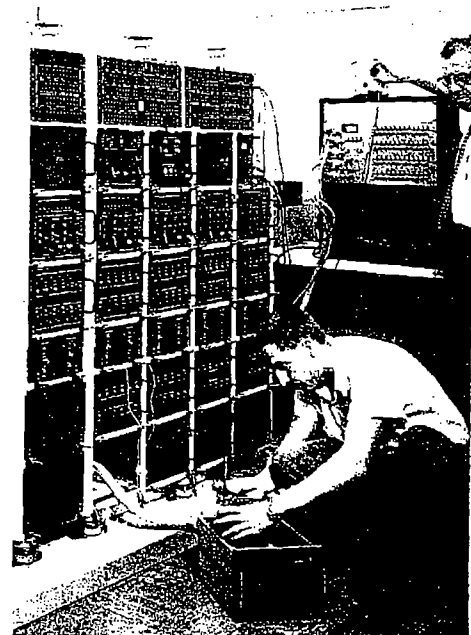
Systems integration involves all of the engineering and technical services necessary for the design, installation and testing of an overall communication system. It demands the highest degree of technical skill.

St. Petersburg's military customers now include each of the military services — the Air Force, Army, Navy and Marine Corps.

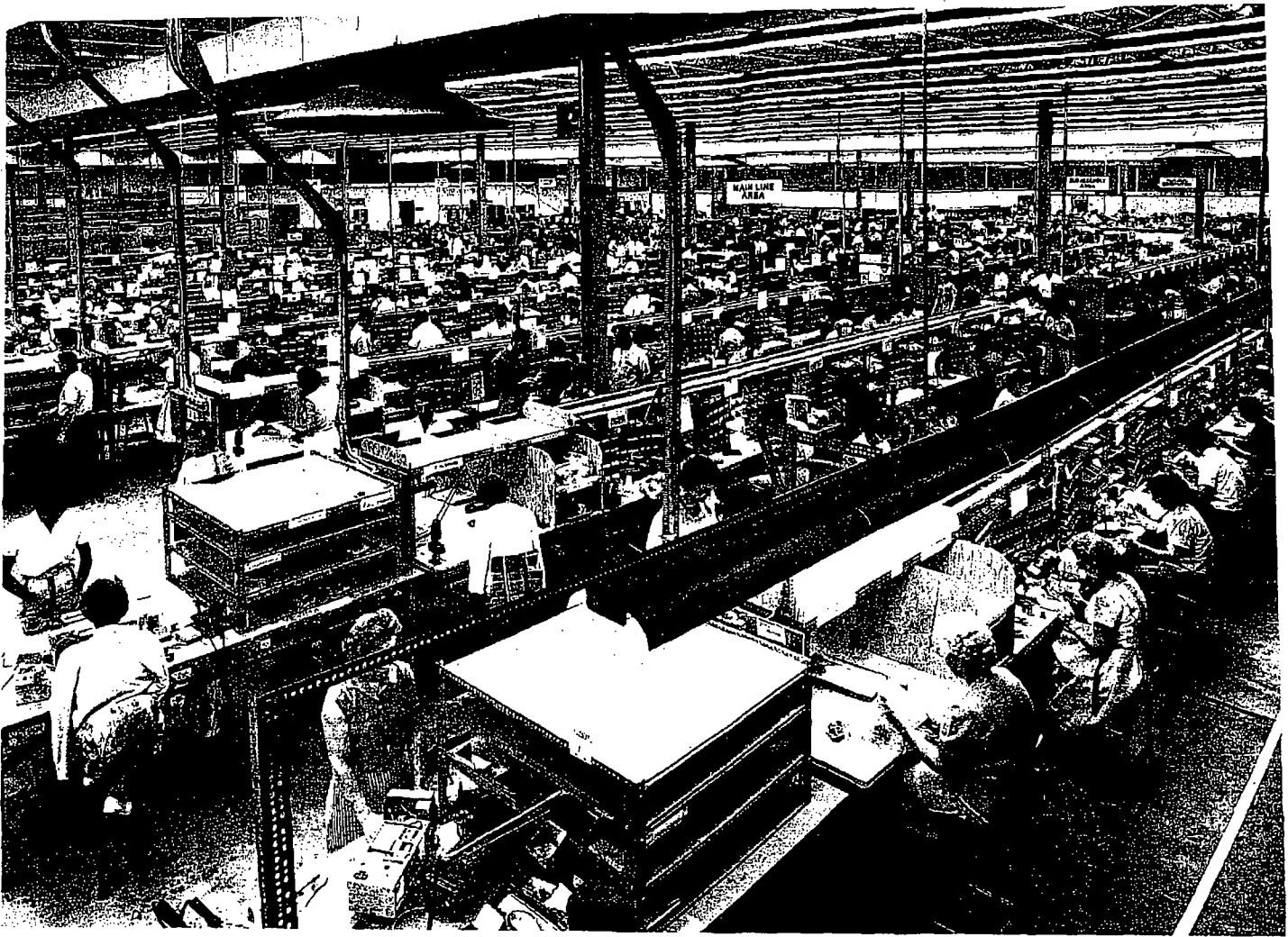
For the Air Force, in addition to electronic systems integration, the Division is producing transmitter/receivers, multiplexers and a variety of supporting equipment for the Strategic Air Command and other command and control programs. Special purpose receivers and test generators are in production for the Air Force's Minuteman intercontinental ballistic missile program.



Lightweight and compact, this 100-watt UHF radio set was developed for the United States Navy. The unit contains both transmit and receive equipment, and is all-solid state except for final power amplification stage.



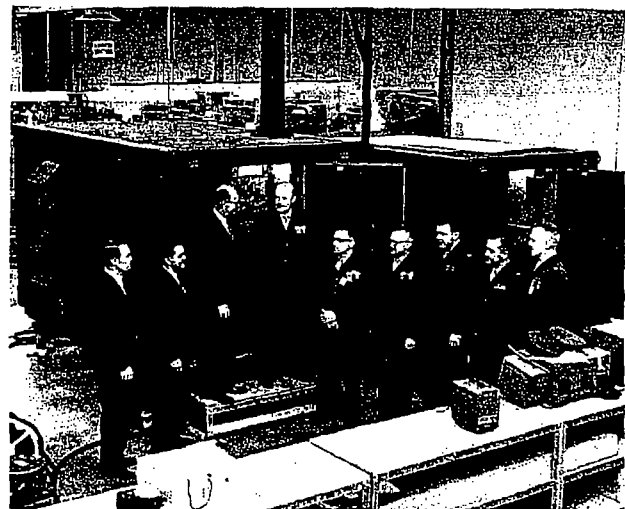
Flexibility of ECI's line of multiplex equipment was demonstrated with the development of new sets capable of handling 4, 24 and 63-channel combinations. Here, 63-channel set receives final check before delivery to United States Air Force. Multiplexing makes possible the transmission of multiple signals over a single radio frequency link.



As 1965 ended, stepped-up production schedules reflected the success of a continuing stress on product development. Shown is a portion of the 150,000-square-foot Manufacturing Building in St. Petersburg.



Command team on board SAC Airborne Command Post photographed during mission which marked completion of four full years of around-the-clock operation for this vitally important ECI communication system.



First of the transportable communication centrals (left) for United States Marine Corps is delivered in informal ceremony. Some of the high powered ECI radio equipment can be seen through the open door of the communication central.

ST. PETERSBURG DIVISION

Miniaturized transceivers are in development for the Navy and a command communication system has been provided for Navy use afloat. Under contract to the Navy, production continues for lightweight, transportable communication centrals for the Marine Corps' Tactical Data System.

For the Army, ECI is providing data relay communication systems for the Mohawk AO-1B reconnaissance aircraft.

Basic to many of these programs are the newly developed, miniaturized UHF transmitter/receiver sets and the proprietary line of all-solid state multiplex equipment.

The transmitter/receiver sets provide high performance and unparalleled reliability in power levels ranging from 50 to 1000 watts. Capable of handling both voice and data, their applications include airborne, shipboard and ground systems — yet they have a module commonality greater than 75 percent. This commonality provides the customer with significant savings, not only in initial procurement, but in spares stocking, maintainability and training. The equipment is all-solid state up to final transmitter power stages.

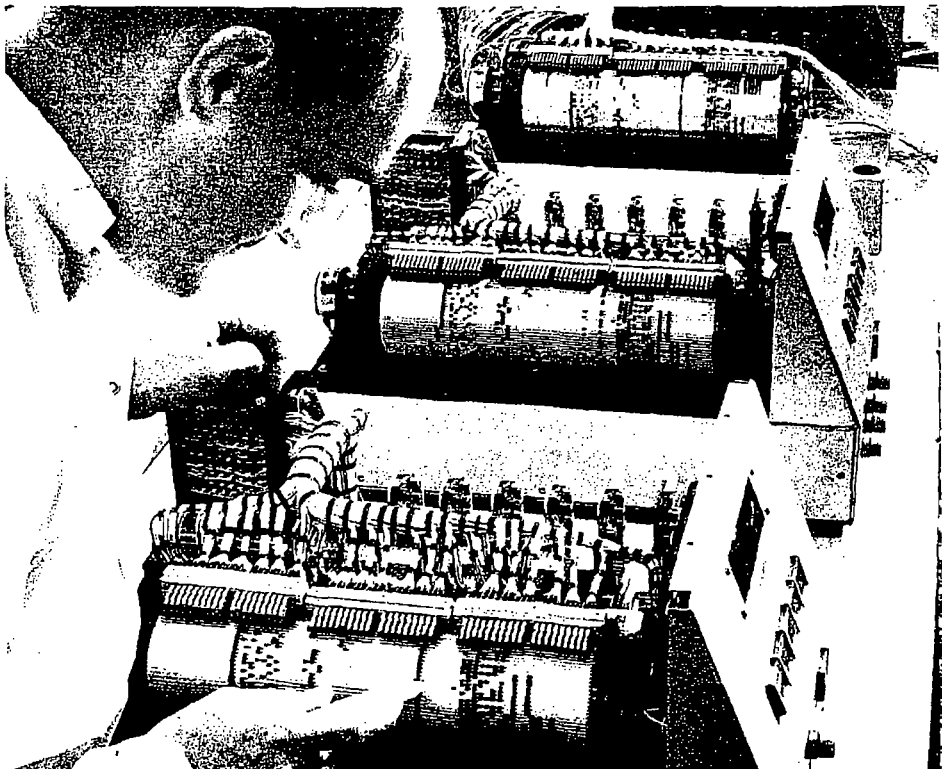
ECI multiplex equipment is designed to be fully compatible with military radio systems. The flexibility of this equipment was demonstrated during the year with the development and sale of new 4, 24 and 63-channel combinations. Previously it was available only in 3, 12 and 51-channel sets. Multiplexing is essential in high density communication systems since it makes possible the transmission of multiple signals, voice or data, over a single radio frequency link.

Also in production for defense programs are a variety of amplifiers, multicouplers, antennas, control boxes and ground support and checkout equipment.



Miniaturized transmitter for United States Air Force passes final tests and is ready for operational service. This small unit can deliver up to 1-kilowatt of output.

Test and checkout equipment for redundant relay unit in Saturn/Apollo flight control computer is inspected by ECI technician. This system is automatically programmed to insure that computer is functioning properly prior to Saturn launching. A self-verifying feature insures the accuracy of the checkout equipment.



Electronics for Space

The St. Petersburg Division was chosen by the National Aeronautics and Space Administration to investigate and demonstrate feasibility and techniques for microminiaturizing the flight control computer for the Saturn/Apollo program.

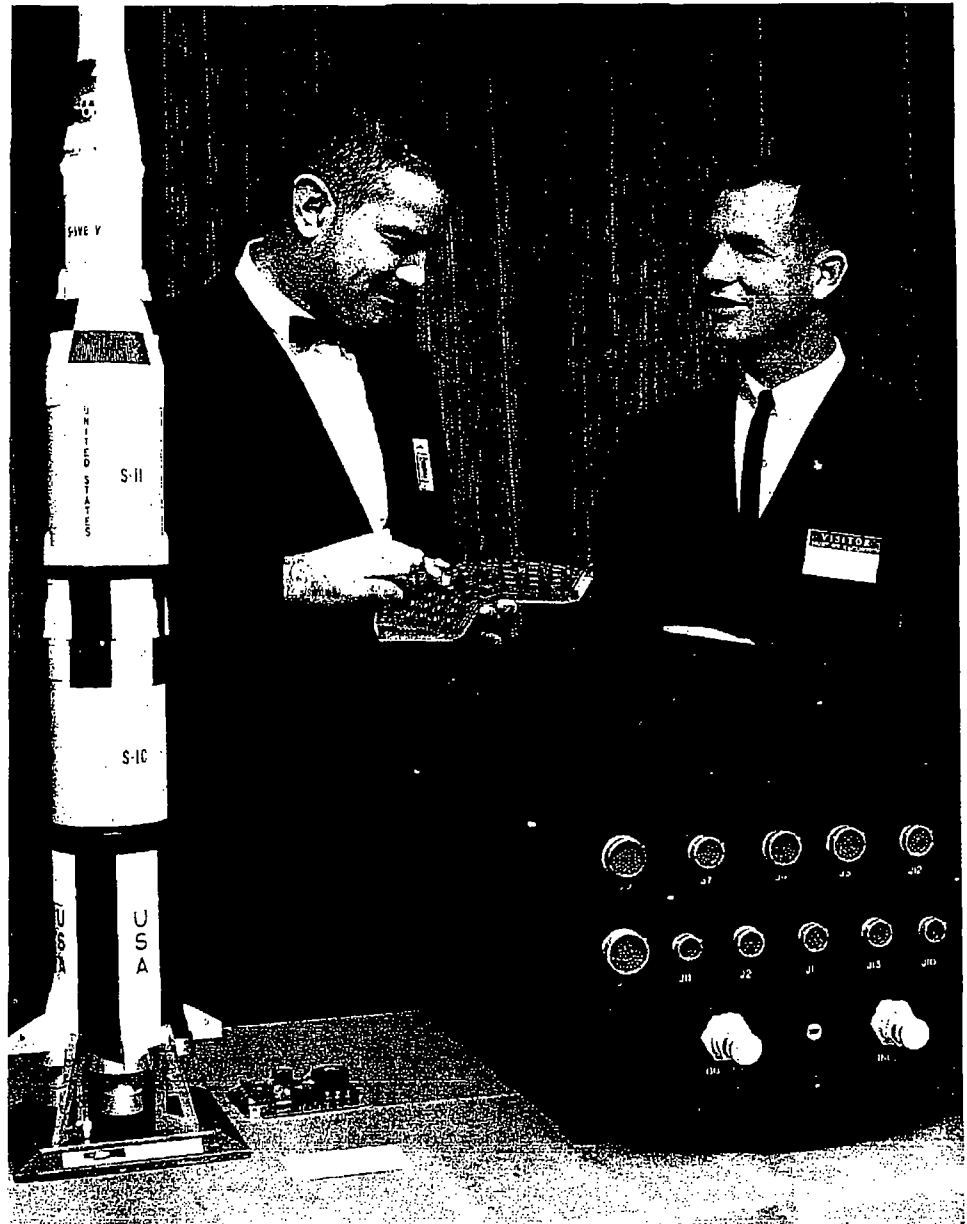
This highly significant contract was an outgrowth of the Division's growing capability in microelectronics and the performance record of ECI flight control computers in the Saturn-I program. Utilizing only the most advanced techniques, the micromin computer will be designed to the highest standards of reliability and will achieve a weight and volume reduction of more than 50 percent as compared with present computers.

With the completion of the Saturn-I program, the Division is now producing new and advanced flight computers for the follow-on Saturn I-B and Saturn V. Saturn V, in conjunction with the Apollo capsule, is programmed for the United States' first manned flight to the moon. Development of the microminiaturized computer is proceeding concurrently with the production of computers for Saturns I-B and V.

The computers serve as electronic autopilots, keeping the space boosters on course by directing the gimballed engines to adjust for deviations caused by pitch, roll and yaw.

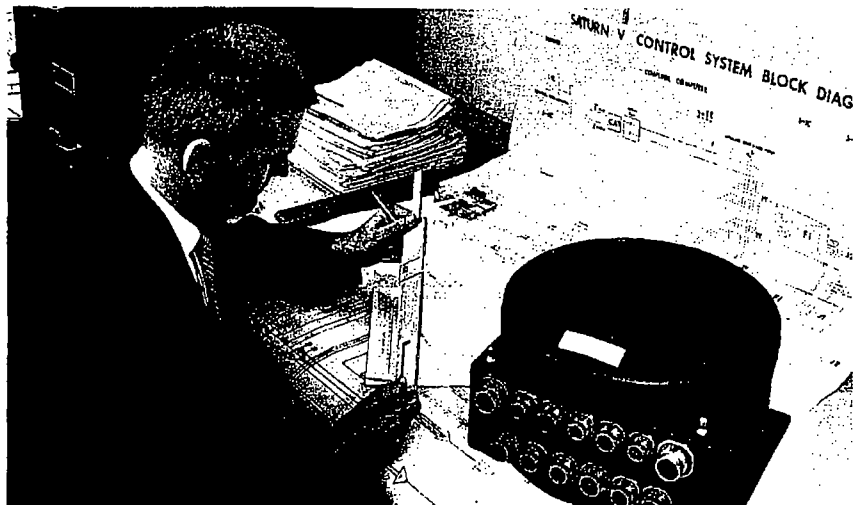
Other ECI responsibilities for the Saturn program include the production of switch selectors, amplifiers and control relay packages.

For NASA's series of Gemini space flights, an airborne automatic voice communication relay system was designed to strengthen spacecraft-to-ground communications. Installed in missile range aircraft flying out of Patrick Air Force Base near Cape



Astronaut David R. Scott (right) discusses Saturn I-B flight control computer with Space Instrumentation Manager Donald C. Colbert during visit to St. Petersburg plant. Computer is in right foreground.

Engineer checks mock-up unit of microminiature flight control computer for advanced Saturn vehicles. ECI was chosen by NASA to investigate and demonstrate feasibility and techniques for reducing size of computer through application of latest microelectronic technology.



ST. PETERSBURG DIVISION

Kennedy, the ECI equipment improves both the range and performance of the communication system which relays traffic between the spacecraft and land and ship-based radio stations.

First use of the system was in a test and backup status for Gemini-5. It was pressed into service at the time of recovery and functioned to perfection.

Also in connection with Gemini, ECI power amplifiers are in use as part of the ground communication net in the Bahamas and the South Atlantic.

ECI's all-solid state telemetry transmitters have found increasing customer acceptance. When Saturn I-B makes its initial flight in early 1966, the Company's Model 503 VHF FM telemetry transmitter will become the first solid state transmitter ever to fly in a Saturn vehicle. Other advanced telemetry transmitters in various frequency ranges are in development both for the Navy and the Air Force.

Research and Development

A new and highly sophisticated generation of ECI radio sets is in prospect as the result of research and development programs initiated at St. Petersburg during the year.

Four separate but related R&D projects were directed toward the achievement of all-electronic frequency synthesis and tuning, making possible the elimination of mechanical and electromechanical devices in transmitter and receiver equipment.

This will lead to dramatic improvements in performance, higher reliability and a substantial reduction in size and weight.

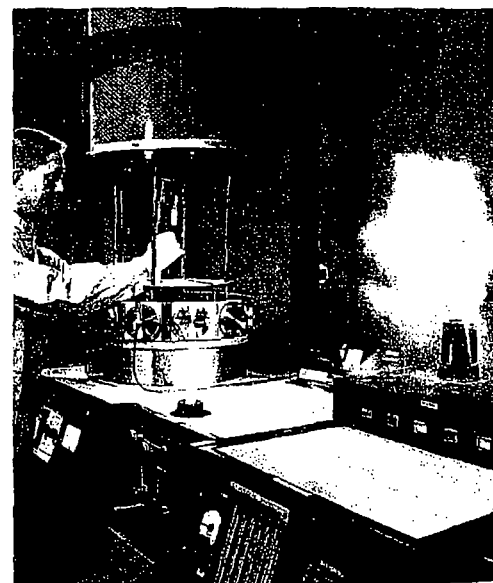
Specifically, the projects were concerned with the development



Engineers check power output of advanced telemetry transmitter now in development for the United States Air Force.



Data modem, a product of ECI research and development, is first ever designed from outset to utilize monolithic integrated circuits.



Physicist prepares thin film microcircuit through low energy sputtering techniques in new Microelectronic Laboratory. Vapor to the right is from liquid nitrogen, important to the process.

of a microminiature digital frequency synthesizer, an all-solid state core memory unit, a broadband power amplifier for transmitters and an electronic tuning system for receivers. Advanced microelectronic and digital techniques are employed in most instances, along with the latest solid state devices.

The most significant development, perhaps, was that of the digital synthesizer. All-electronic and with no moving parts, the synthesizer provides frequency generation from a single crystal reference source. This compares with 23 crystals in most existing designs. Since there are no multipliers or mixers, spurious signals are eliminated and spectral purity is insured. The new synthesizer plays an important role in transceivers now being developed for the Navy, and is expected to find broad applications in other sophisticated communication systems.

The core memory unit utilizes electronic techniques to preprogram the synthesizer and transmitters or receivers to desired radio frequency channels. It eliminates the mechanical drums, gear boxes and switches used in its conventional counterparts.

With the broadband amplifier, mechanical tuning will be required only in the final amplification stages of high power transmitters. The new receiver tuning techniques are also all-electronic.

Another R&D program led to the development of the first microminiaturized data modem specifically designed from the outset to utilize monolithic integrated circuits. A data modem is a modulator-demodulator (modem) which accepts digital data and converts it into a form which can be handled over normal voice communication channels. The modem has broad applications in UHF/VHF and microwave radio links, land-lines and carrier telephone channels.

A technique which could significantly increase the maximum communication range of many UHF radio systems was developed and demonstrated during the year. By acquiring, frequency tracking and demodulating improperly tuned or drifting signals, the equipment picks up virtually inaudible signals and makes them intelligible, thus extending the system's absolute maximum useful range. Important applications in airborne military communications are anticipated.

Currently in development are the previously-mentioned microminiaturized flight control computers for NASA and advanced telemetry transmitters for both the Air Force and the Navy.

Other developmental efforts led to a broadening of the multiplex product line, a new high power (1.5-kilowatt) multicoupler, new concepts in ground support and checkout equipment and a wide range of advances in thin film, servo-amplifier, voice switching, electronic attenuator, resonator, filter, cavity and test techniques.

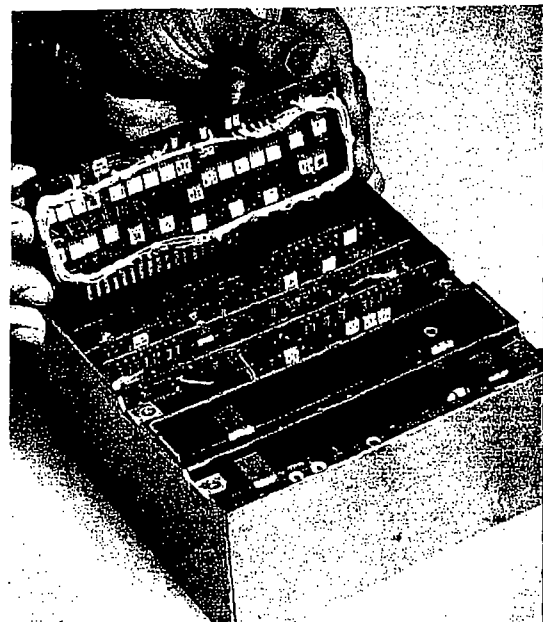
Microelectronics

The new technology of microelectronics was applied at all design and development levels during the year.

Integrated and thin-film circuits were widely used in design concepts with attendant improvements in circuit efficiency, performance and reliability. At the same time, notable reductions in size and weight were achieved.

To increase the Company's technical competence in this area, a Microelectronic Laboratory was established and became fully operational in the late summer. The laboratory will carry out research in support of present requirements and will explore new concepts in thin film and other advanced aspects of microelectronics.

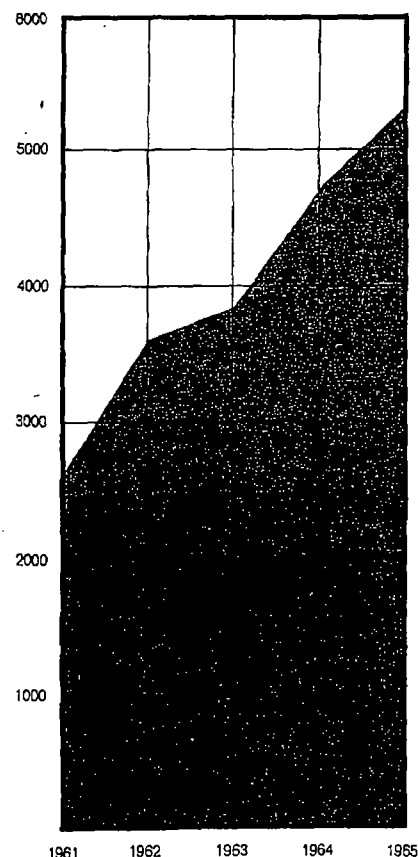
Microelectronics involves circuits and components smaller by



Digital synthesizer, a product of ECI research and development, utilizes the most advanced microelectronic and digital techniques.

RESEARCH, DEVELOPMENT AND ENGINEERING

(Dollars in thousands)



ST. PETERSBURG DIVISION

several orders of magnitude than those normally considered to be subminiature in size.

Direct applications of micro-electronic circuits and components during the year included their use in production transmitters and receivers as well as in developmental programs.

Microelectronic techniques are now investigated as a matter of routine at the outset of all design and development studies. Even in those programs where size and weight are not vital factors, microelectronic circuitry frequently is employed to attain maximum circuit efficiency and performance, along with greatly enhanced reliability.

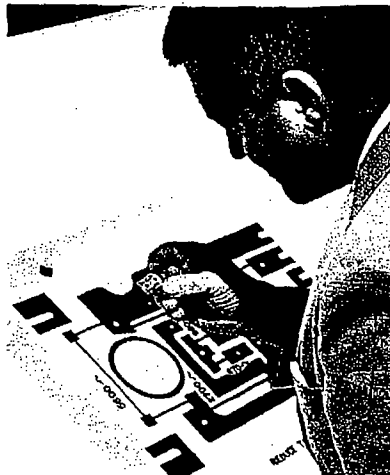
The new Microelectronic Laboratory is concentrating initially on research in thin film techniques and hybrid circuitry for both digital and analog applications. The laboratory also has a prototype fabrication capability which provides an increased flexibility in technical development. Circuits can now be designed and fabricated in-house and on short notice.

Processes available to laboratory personnel include vapor deposition, reactive and inert low energy sputtering, electro-deposition, anodization, discrete and contact masking, gap welding, molecular bonding, photo-etching, chemical milling, mask design and fabrication, substrate drilling and cutting and hermetic packaging.

People and Plant

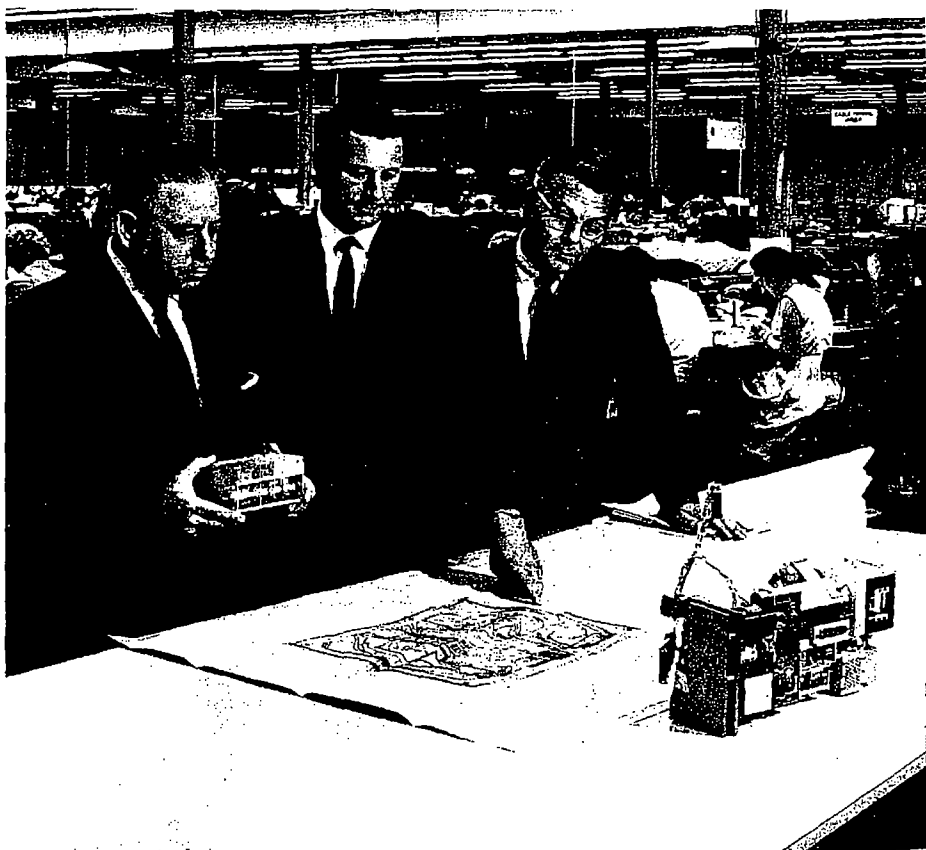
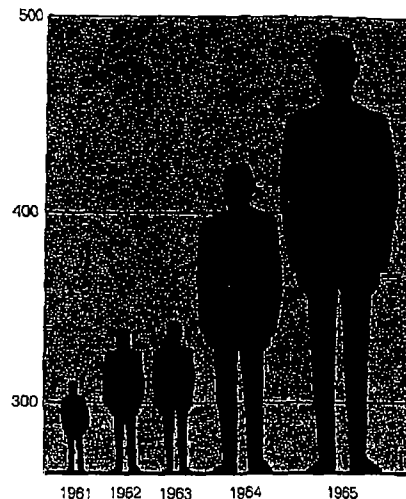
To support expanded engineering and production programs, technical and management strength was enhanced during the year and major facility improvements were achieved.

Three new divisional vice presidencies were created and filled from within the Company. The corporate Vice President-Engineering was assigned addi-



Thin film circuit is checked against master design in Microelectronic Laboratory. Microcircuits of this type are often 100 times smaller than their conventional counterparts.

ENGINEERING PERSONNEL



Three new divisional vice presidencies were created and filled from within the Company. From left are Morton S. Klein, Divisional Vice President-Program Management; Robert G. Walker, Divisional Vice President-System Requirements; Frank W. Furda, Divisional Vice President-Controller.

tional responsibility as Assistant General Manager of the St. Petersburg Division.

Other positions were established to add new capability in various technical disciplines. The engineering staff was increased by approximately 15 percent and overall employment was up by 20 percent at the year's end.

A three year contract with Local 298, United Auto Workers, AFL-CIO insured work force stability for the expansion years ahead.

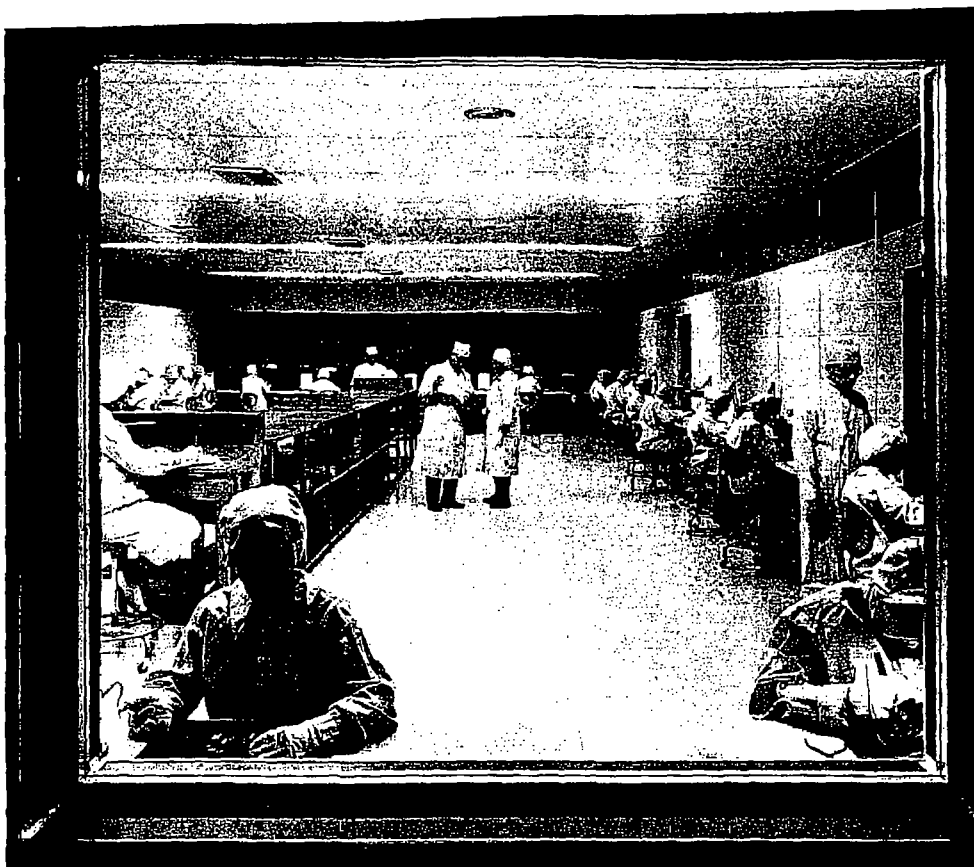
Plant improvements included the construction of four controlled environment "clean rooms"; the establishment of the Microelectronic Laboratory; an enlarged printed circuit facility; an expansion of the engineering model shop; an enlarged lobby and plant entrance and the completion of photographic and X-ray laboratories for manufacturing quality control.

Meeting Customer Needs

ECI's basic business philosophy continues to be that of anticipating future customer requirements and investing Company funds in the development of products designed to meet these requirements.

The validity of this approach is indicated with the success of such product developments as the family of miniaturized transmitter/receivers and the line of lightweight multiplex equipment. Follow-on development planning continues in radio, multiplex, telemetry and other areas.

The marketing function was reoriented during the year to strengthen this approach and to reflect the growing emphasis on communication and electronic systems. This function is now the responsibility of a divisional Vice President-System Requirements. Requirements Managers serve the specific needs of military, space and other government agency customers.



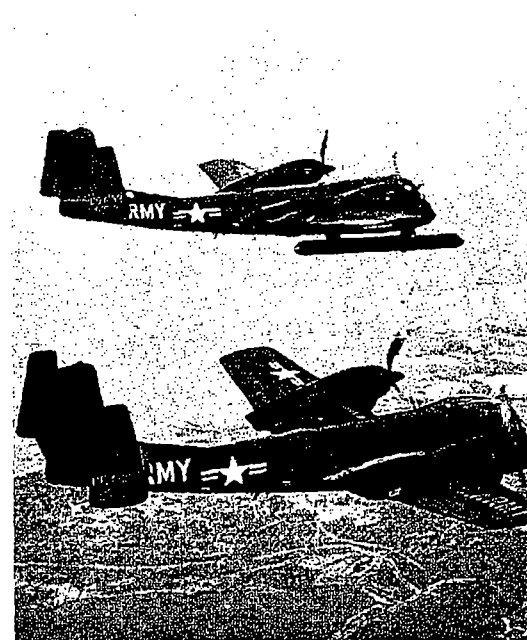
Temperature, humidity and dust are closely controlled in "clean rooms" used for NASA and Minuteman ICBM programs. Four new clean rooms were opened at St. Petersburg during the year.

Customers now include the four military services, NASA and other government agencies both in this country and abroad.

The Company continues to strengthen its position as a prime contractor and, in addition, is working closely in communication and electronic requirements with the major aerospace industries. Customers in the latter category now include such companies as Boeing, Douglas, IBM and RCA.

Efficient cost controls have resulted in substantial cost savings. These have reduced cost to customer and strengthened the Company's competitive position. They will contribute to an anticipated upward trend in earnings.

ECI is providing data relay communication systems for these Mohawk AO-1B photo reconnaissance aircraft.



BENSON MANUFACTURING DIVISION

The backlog at Benson was higher at the end of the year than at any time during that organization's 58-year history. Floor space was increased from 280,000 to 400,000 square feet with the acquisition of additional facilities.

During the year, Benson won substantial Air Force and Army prime contracts and received a wide variety of new orders for precision aerospace assemblies and components. Also, container sales expanded and additional items were added to this important commercial product line.

Defense Programs

Under the new prime contracts, Benson is producing airborne defoliant spray tanks for the Army's Edgewood Arsenal and pylon-mounted fuel tanks for the Air Force's F-105 aircraft. Both programs fully utilize Benson's capabilities for precision forming and welding of large assemblies.

Other new defense programs involve complex metal components, blowers and heat exchangers for helicopters, fixed wing aircraft, missiles, Navy ships and ground vehicles.

These include support assemblies for helicopter-mounted grenade launchers, gun pods for fighter aircraft and helicopters, turbine and cooling blowers for HU-1 helicopters, blowers and heat exchangers for all major helicopter manufacturers, pressurized radar housings for F-4C aircraft, axial flow blowers for Army tracked vehicles and high-capacity lightweight blowers for the Navy.

The Navy blowers will be used in experimental hydrofoil vessels. They mark Benson's first Navy order for equipment of this type.

Space Programs

Benson is providing assemblies and component equipment for virtually every major United States space program.

Benson equipment will support each of the three key phases of the manned lunar mission. For the Saturn vehicle which will boost the Apollo capsule from the earth's surface, Benson is producing air exit ducts. For the earth-to-moon phase, Benson is providing torque boxes and fire shields. Benson water tanks will be a part of the Lunar Excursion Module; these will be used in both the ascent and descent stages when the first United States astronaut steps onto the moon surface. And for the Planetary Life Support System—the "space suit" which will be worn by the lunar explorers—Benson is providing backpack units.

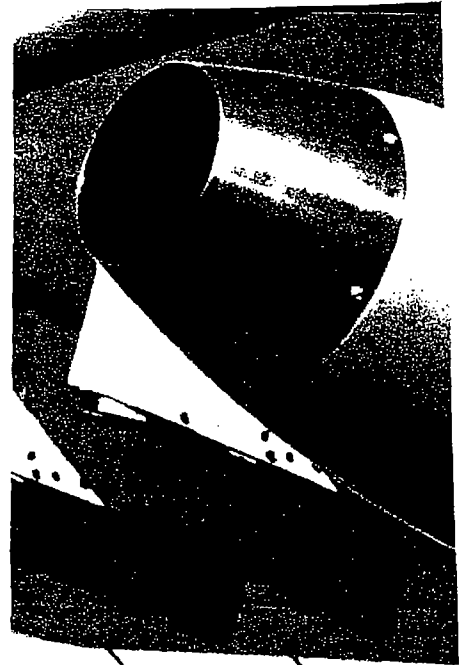
Benson fuel and oxydizer tanks flew with the earlier Gemini flights and are in production for future Gemini missions. For the Gemini Agena rendezvous vehicle and the Agena multiple restart engine, fuel and oxydizer tanks are also in production.

For the Centaur space vehicles, Benson is fabricating fuel tanks. For the Minuteman ICBM, Benson provides spin and pitch motor cases; and for the Atlas space boosters, fuel valves.

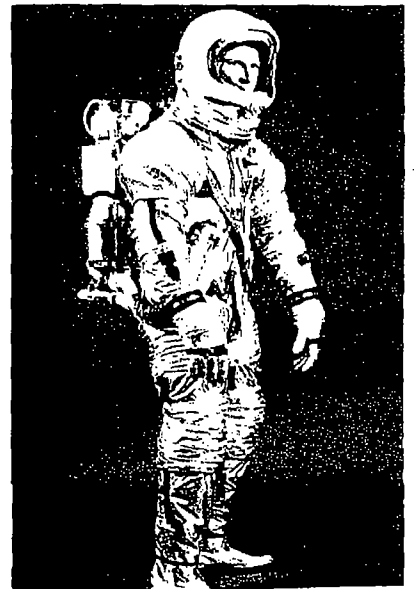
Commercial Programs

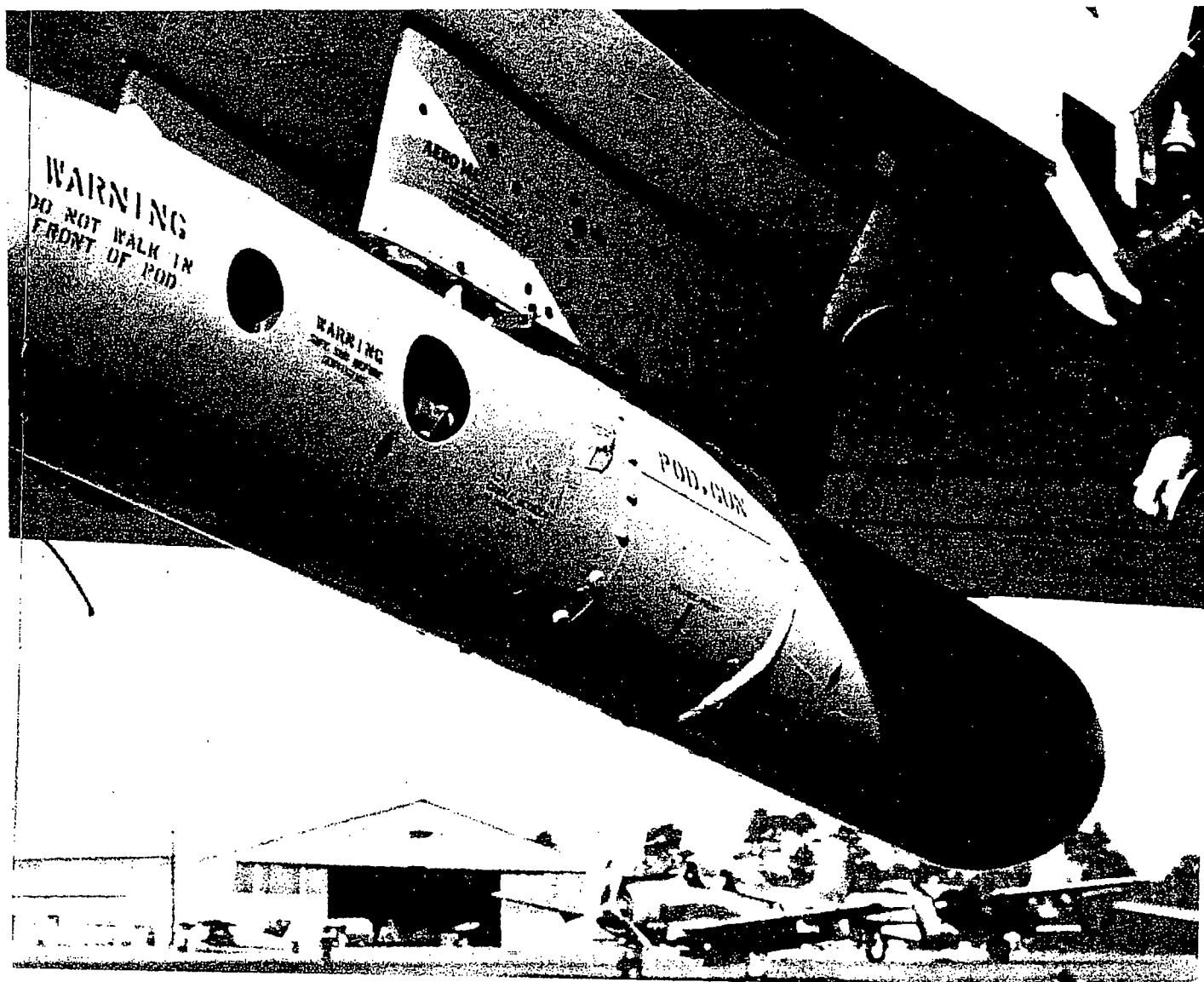
Along with the growth in defense and space activity, more than a third of Benson's business continues to be in the commercial field.

The production of aluminum and stainless steel barrels for breweries continues at an all-time peak. Now one of the nation's three largest producers of

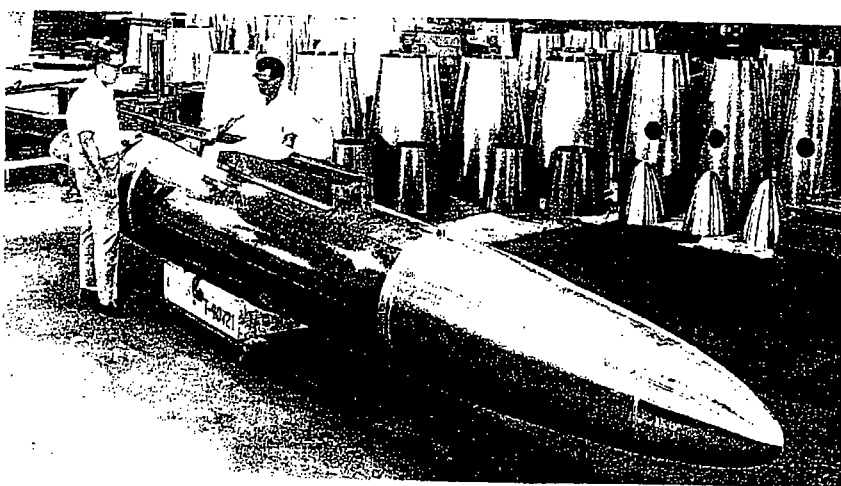


Benson backpacks for lunar explorers will include reservoirs, canisters and various hardware items.

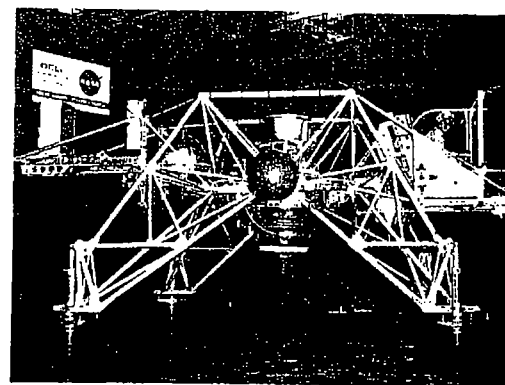




Gun pod for the United States Air Force houses 7.62 mm externally mounted rapid-fire machine gun. Aft section of the pod assembly is produced by Benson.



Pylon-mounted fuel tanks are in quantity production for F-105 aircraft. Some 5,000 of these will be fabricated under an initial order.



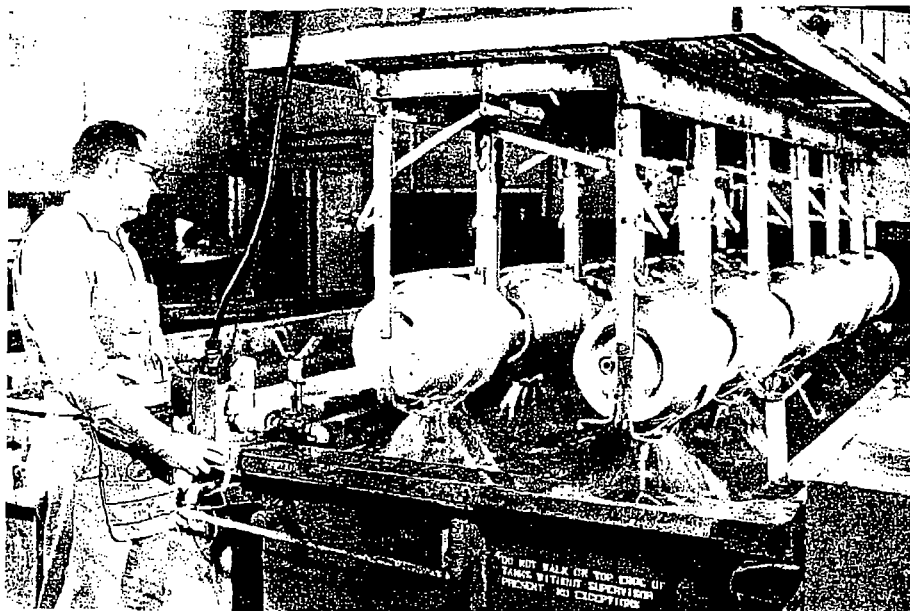
Benson products will be there when Lunar Excursion Module lands first American astronaut on the moon. Benson is providing water tanks which will be used in both the ascent and descent stages.

BENSON MANUFACTURING DIVISION

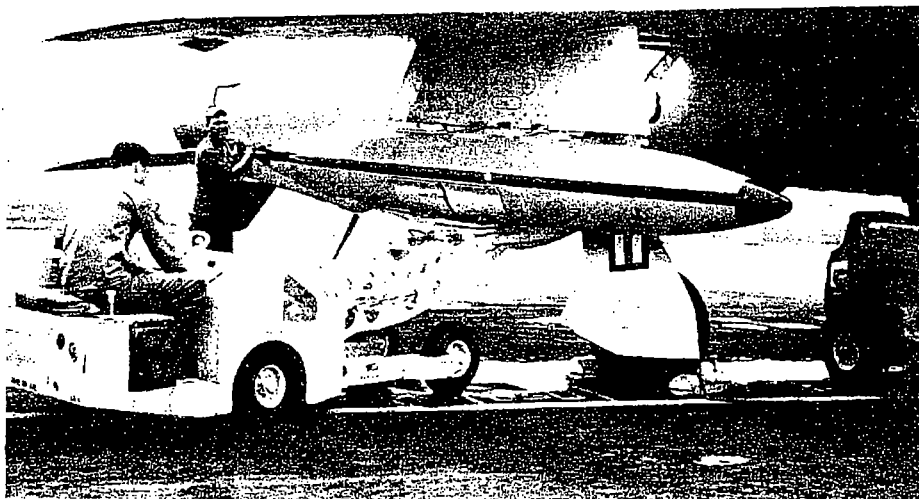
brewers' barrels, Benson is seeking to expand this position with the development of home dispensers for the brewing industry.

In another commercial area requiring extremely close tolerances and high precision craftsmanship, Benson is producing memory frames for the new IBM Model 360 computer. Other prototype units are in the development stage for this computer.

In a new program, Benson is fabricating manifold and torus assemblies for both commercial aircraft and industrial applications. For Boeing commercial jets, the Division has designed and is producing tanks for the drinking and utility water supply systems in 707, 720 and 727 aircraft.



Nitric acid dip plays important role in manufacturing process for aluminum brewery barrels. Production of both aluminum and stainless steel barrels continues at an all-time peak.



Defoliant spray tank is mounted into place beneath aircraft wing. Large production contract for these tanks was received during the year.

Automatic welding jigs are employed in production of stainless steel airborne special purpose tanks.



STANDARD PRECISION DIVISION

Standard Precision concentrated its efforts in the aircraft instrumentation and electromechanical fields.

A new series of high reliability instruments known as TACOR was developed and introduced for the "family type" of light aircraft. TACOR (turn and attitude coordinating) instruments are in keeping with the Federal Aviation Agency's "Project Little Guy," designed to simplify the presentation of vital flight data for the operators of inexpensive light aircraft. The TACOR instrument combines a rate of turn indicator, an inclinometer, a roll reference and a pitch reference in a single unit. The instrument series has been approved by the FAA and initial units have been sold to aircraft accessory distributors for evaluation purposes.

Another "Project Little Guy" instrument sold to several aircraft producers was a new airspeed indicator which employs a taut band principle, eliminating the need for gears, torque arms and bearings. The simplicity of its design affords high reliability at a substantial dollar saving.

The MASSTER fuel gauge, a liquid mass indicator system, was successfully placed on the market. The first fuel gauge system to win Federal Aviation Agency approval under current Technical Standard Orders, it utilizes a probe of known volume and density to measure specific gravity and depth.

Standard Precision continued quantity production of gyroscopic horizon and direction indicators. The Division is now the nation's largest producer of navigational gyroscope equipment for the general aviation market.

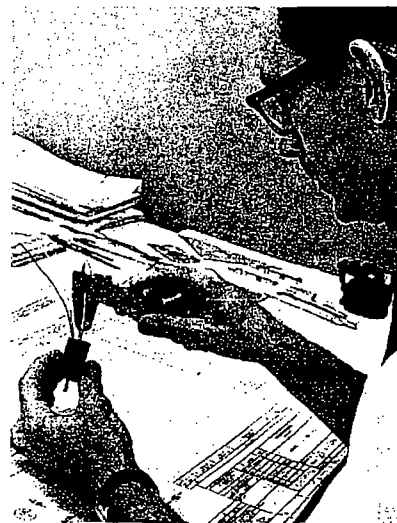
In the electromechanical field, Standard Precision introduced a series of miniaturized motors and produced actuators both for general aviation and military aircraft.

The compact, lightweight motors are available in diameters ranging down to less than one inch. They are rated up to .025 HP at 20,000 RPM. They have found applications with instruments, blowers and actuators. Also in production is a more powerful motor to operate winches in military helicopters.

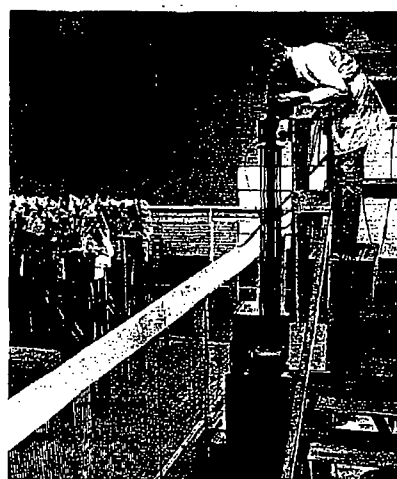
Standard Precision's backlog of orders is at a high level and the overall market outlook is bright.



New airspeed indicator affords high reliability at a substantial dollar saving.

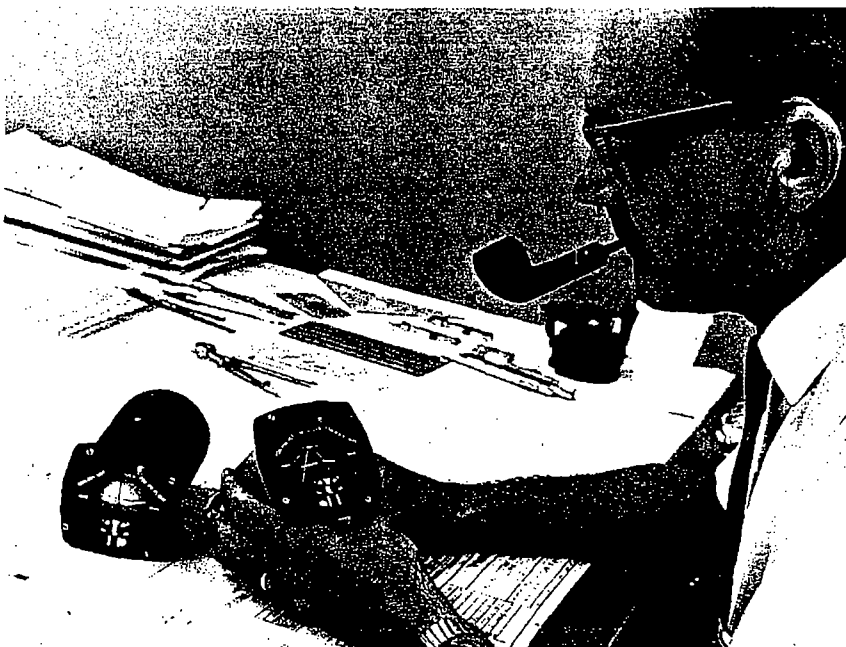


New line of miniaturized motors was introduced.



Standard Precision technician checks driftmeter as part of large-scale overhaul contract from United States Air Force.

High reliability TACOR instruments were developed and introduced for the "family type" of private aircraft.



B A L A N C E S H E E T S

ASSETS

		SEPTEMBER 30	
		1965	1964
CURRENT ASSETS	Cash	\$ 1,664,791	\$ 967,740
	Accounts receivable, less reserve	375,172	587,137
	Amounts receivable under defense contracts	4,895,377	3,535,847
	Inventories, at the lower of average cost or market	7,801,487	5,884,564
	Prepaid insurance, taxes, etc.	266,117	241,544
	Total current assets	<u>\$15,002,944</u>	<u>\$11,216,832</u>
OTHER ASSETS	Investment in preferred stock (Note 2)	\$ —	\$ 900,700
	Debt discount and expense, in process of amortization	126,869	164,825
		<u>\$ 126,869</u>	<u>\$ 1,065,525</u>
PROPERTY, PLANT AND EQUIPMENT, at cost (Note 1)	Land	\$ 345,745	\$ 345,745
	Buildings	3,596,729	3,552,561
	Machinery and equipment	6,668,499	6,429,789
		<u>\$10,610,973</u>	<u>\$10,328,095</u>
	Less — Accumulated depreciation	5,425,056	5,118,012
		<u>\$ 5,185,917</u>	<u>\$ 5,210,083</u>
		<u>\$20,315,730</u>	<u>\$17,492,440</u>



LIABILITIES

		SEPTEMBER 30	
		1965	1964
CURRENT LIABILITIES	Notes payable	\$ 72,350	\$ 587,630
	Accounts payable	2,207,439	2,239,090
	Provision for income taxes	446,396	368,407
	Accrued salaries, wages, taxes, interest, etc.	1,042,989	704,814
	Installments on long-term debt payable within one year	215,322	194,712
	Total current liabilities	<u>\$ 3,984,496</u>	<u>\$ 4,094,653</u>
LONG-TERM DEBT	First mortgage and promissory notes, payable in installments to 1973	\$ 1,205,222	\$ 1,580,501
	Subordinated convertible debentures (Note 3)	1,621,000	1,848,000
	Notes payable under revolving bank credit agreement continuing to February 28, 1967 (Note 4)	2,700,000	500,000
		<u>\$ 5,526,222</u>	<u>\$ 3,928,501</u>
CAPITAL STOCK AND SURPLUS (Notes 1, 3, 4, 5 and 9)	6% cumulative convertible preferred stock, par value \$10 per share	\$ 357,570	\$ 361,840
	Common stock, par value \$1 per share (715,313 shares outstanding after deducting 52,454 shares held in treasury)	767,767	759,991
	Capital surplus	5,755,028	5,613,627
	Earned surplus	4,475,569	3,210,302
		<u>\$11,355,934</u>	<u>\$ 9,945,760</u>
	Less — Common stock held in treasury, at cost	550,922	476,474
		<u>\$10,805,012</u>	<u>\$ 9,469,286</u>
		<u>\$20,315,730</u>	<u>\$17,492,440</u>

are an integral part of these balance sheets.

Statements of INCOME

		YEAR ENDED SEPTEMBER 30	
		1965	1964
NET SALES		\$22,261,716	\$26,818,136
COSTS & EXPENSES			
	Manufacturing costs and general and administrative expenses	\$21,115,856	\$25,613,148
	Interest expense	344,770	361,235
	Loss of discontinued operation	—	61,730
	Other (income) deductions, net	(164,919)	(105,366)
		<u>\$21,295,707</u>	<u>\$25,930,747</u>
	Income before income taxes	\$ 966,009	\$ 887,389
PROVISION FOR INCOME TAXES	By reason of the carry-forward of prior years' operating losses of former subsidiary companies, \$65,000 of tax in 1965, and \$60,000 of tax in 1964, has been eliminated	400,000	350,000
	Net income	<u>\$ 566,009</u>	<u>\$ 537,389</u>
SPECIAL ITEMS	Credit (Charge) —		
	Elimination of deferred Federal income taxes resulting from the expected utilization of a former subsidiary's operating losses (Note 1)	\$ 920,000	
	Loss on sale of investment in preferred stock, net of applicable income taxes (Note 2)	(58,000)	
		<u>\$ 862,000</u>	
	Net income and special items	<u>\$ 1,428,009</u>	

Provisions for depreciation were \$591,027 for 1965 and \$645,530 for 1964.

Statements of SURPLUS

		YEAR ENDED SEPTEMBER 30	
		1965	1964
EARNED SURPLUS	Balance at beginning of year	\$ 3,210,302	\$ 2,843,128
	Add (Deduct) —		
	Net income	566,009	537,389
	Special items (Notes 1 and 2)	862,000	—
	Cash dividends —		
	6% preferred stock	(21,538)	(22,408)
	Common stock at \$.20 per share	(141,204)	(147,807)
	Balance at end of year (Note 4)	<u>\$ 4,475,569</u>	<u>\$ 3,210,302</u>
CAPITAL SURPLUS	Balance at beginning of year	\$ 5,613,627	\$ 5,598,280
	Add —		
	Quoted market value in excess of par value of common stock issued in connection with the merger of a former subsidiary (Note 1)	135,090	—
	Other	6,311	15,347
	Balance at end of year	<u>\$ 5,755,028</u>	<u>\$ 5,613,627</u>

The accompanying notes to financial statements are an integral part of these statements.

Statement of CHANGE IN WORKING CAPITAL

YEAR ENDED SEPTEMBER 30, 1965

ADDITIONS TO WORKING CAPITAL	Net Income	\$ 566,009
	Noncash items included in net income —	
	Depreciation	591,027
	Amortization of debt discount and expense	37,956
	Net proceeds from long-term debt	1,597,721
	Sale of investment in preferred stock	842,700
	Proceeds from common stock issued under stock option plans	81,557
	Elimination of deferred Federal income taxes resulting from the expected utilization of a former subsidiary's operating losses	920,000
		<u>\$ 4,636,970</u>
DEDUCTIONS FROM WORKING CAPITAL	Capital expenditures, net of retirements	\$ 424,661
	Cash dividends	162,742
	Acquisition of treasury stock	153,298
		<u>\$ 740,701</u>
	Net increase in working capital	<u>\$ 3,896,269</u>

The accompanying notes to financial statements are an integral part of this statement.

NOTES To Financial Statements

1. MERGER OF SUBSIDIARIES AND ELIMINATION OF DEFERRED FEDERAL INCOME TAXES:

The accompanying financial statements include the accounts of the Company, Standard Precision Division (a former wholly-owned subsidiary which was merged with the Company as of September 30, 1965), and Benson Manufacturing Division (a former 86% owned subsidiary which was merged with the Company as discussed below).

On November 23, 1965, The Benson Manufacturing Company was merged with the Company under a plan approved by their respective stockholders. In this connection, 7,110 shares of the Company's common stock were issued for the 71,104 outstanding shares of Benson common stock not owned by the Company. As a result of this merger, it is expected that net operating loss carryovers of Benson of approximately \$2,400,000 at November 23, 1965, (which were not utilized by Benson prior to the date of merger and substantially all of which were incurred prior to the Company's investment in Benson) will be utilized by the Company as a deduction for Federal income tax purposes.

The accompanying financial statements reflect the effect of the Benson merger as if it had been consummated as of September 30, 1965, as follows:

- The quoted market value of the shares issued (\$142,200) was charged to machinery and equipment with related entries to common stock (\$7,110) and capital surplus (\$135,090).
- The Company's deferred Federal income taxes of \$920,000 as of September 30, 1965, were no longer required, and their elimination was recorded as a special credit in the statement of income.

Following the Benson merger, ma-

chinery and equipment included a total of \$896,205 representing the amount paid by the Company for Benson stock in excess of Benson's net assets at the date of acquisition. This amount has been included in machinery and equipment on the basis of appraisals completed in 1964, and is being amortized over the estimated life of the machinery and equipment.

2. LOSS ON SALE OF INVESTMENT:

During 1963, the Company received preferred stock of Van Dusen Aircraft Supplies, Inc. as partial consideration for the sale of substantially all of the net assets of a wholly-owned subsidiary to Van Dusen at a loss of \$106,719 after applicable income taxes. In July, 1965, this stock was sold to Van Dusen at a loss of \$58,000 (net of applicable Federal income taxes of \$19,500) which was recorded as a special charge in the statement of income.

3. SUBORDINATED CONVERTIBLE DEBENTURES:

The Company has outstanding 6% subordinated convertible debentures maturing November 30, 1971, which were obligations of the former subsidiary merged with the Company as of November 23, 1965 (see Note 1). Following the merger, the Company assumed the liability for and the obligations under the debentures.

The debentures are redeemable at the option of the Company at 103% of the principal amount to November 30, 1965, and at prices declining ½% each year thereafter. A sinking fund deposit is required on August 31 of each year in an amount equal to 10% of net earnings for the prior fiscal year less the principal amount of debentures redeemed. Each \$130 principal amount of debentures is now convertible, at the option of the holders, into one share of the Company's common stock. 12,038 shares of the Company's common stock were reserved for conversion of the

outstanding debentures following the merger.

4. REVOLVING CREDIT AGREEMENT:

The Company has entered into a revolving credit agreement with certain banks which provides that the banks will lend up to an aggregate amount of \$5,000,000 at any one time outstanding, on 90-day renewable notes, to February 28, 1967.

The agreement provides that, except with the prior consent of the lenders, the Company shall not redeem any of its capital stock or pay cash dividends, except that such redemptions or dividends are permissible if the aggregate cost of such redemptions and dividends in any twelve consecutive month period does not exceed 50% of the Company's net earnings for such period.

5. CAPITAL STOCK:

Further information with respect to capital stock is as follows:

Description	Number of Shares as of September 30	
	1965	1964
6% cumulative convertible preferred stock, par value \$10 per share —		
Authorized	200,000	200,000
Outstanding	35,757	36,184
Common stock, par value \$1 per share		
(See Note 1) —		
Authorized	1,000,000	1,000,000
Issued	767,767	759,991
Held in		
treasury	52,454	44,875
Outstanding	715,313	715,116

The Company's 6% cumulative convertible preferred stock (par, liquidation and redemption values \$10 per share) is convertible into common stock in a ratio of 1.575 shares of common for each share of preferred.

(Continued on next page)

NOTES TO FINANCIAL STATEMENTS (cont'd.)

6. METHOD OF PROFIT ACCRUAL:

Profits are recorded on defense contracts, prior to completion thereof, where, in the opinion of management, such profits can be reasonably estimated after taking into consideration the stage of contract completion and estimated final costs and prices.

7. CONTINGENT LIABILITIES:

A substantial part of the sales are made under defense contracts subject to final price determination and statutory renegotiation. It is the opinion of management that final price determinations will have no adverse effect on the accompanying financial statements and that no refund of profits will be required under renegotiation.

8. RETIREMENT PLANS:

The Company has established non-contributory retirement plans for salaried and hourly employees providing for retirement benefits based on length of service at a normal retirement age of 65. The estimated annual cost of the plans to the Company is \$153,000 of which \$47,000 is applicable to past service. Unfunded past service benefits amounted to approximately \$862,000 at September 30, 1965, which amount is being funded over a thirty-year period from the date of the inception of the plans.

9. STOCK OPTIONS:

In January, 1965, the stockholders approved a qualified stock option plan under which options may be granted to selected executives and other key employees to purchase a maximum of 41,828 shares of common stock at not less than 100% of the fair market value at the date of grant. The options become exercisable at such times as the Board of Directors determines at the time the options are granted, and expire five years after the grant. During the period ended September 30, 1965, options to purchase 4,600 shares were exercised at \$9.88 per share.

The Company also has a restricted stock option plan, approved by the stockholders, for the purchase of common stock by selected executives and key employees; however, this plan has been superseded by the adoption of the qualified stock option plan. Consequently, no further options can be granted under this plan. During the year ended September 30, 1965, restricted stock options to purchase 28,985 shares were canceled and options were exercised to purchase 1,400 shares at \$10.74 per share and 1,600 shares at \$13.17 per share.

At September 30, 1965, options were outstanding under both plans as follows:

	Number of Shares	Option Price per Share	Aggregate Option Price
Qualified plan	26,100	\$ 9.88	\$257,868
Restricted plan	7,200	\$10.74	\$ 77,328
	5,543	\$13.17 to \$15.39	78,730
	12,743		\$156,058
Total	38,843		\$413,926

FINANCIAL HISTORY

(Except for per share figures, all dollar amounts are in thousands)

	1965	1964	1963	1962	1961
Net sales	\$22,262	\$26,818	\$18,104	\$27,302	\$13,523
Interest	345	361	234	286	309
Profit (loss) of discontinued operations	—	(62)	(22)	8	34
Net income	566	537	414	708	306
Special items	862	—	(107)	—	—
Current assets	15,003	11,217	11,701	14,495	12,569
Current liabilities	3,984	4,095	4,852	7,281	7,355
Working capital	11,019	7,122	6,849	7,214	5,214
Stockholders' equity	10,805	9,469	9,577	9,326	6,923
Number of preferred shares	35,757	36,184	37,840	38,237	38,983
Number of common shares	708,203 ⁽¹⁾	715,116	757,124	755,714 ⁽²⁾	648,356 ⁽²⁾
Per common share (on shares outstanding at end of year after requirements of preferred stock):					
Net income	\$.77 ⁽¹⁾	\$.72	\$.52	\$.91	\$.44
Special items	1.21	—	(.14)	—	—
Net income and special items	1.98	—	.38	—	—
Working capital	14.90	9.45	8.55	9.04	7.44
Stockholders' equity	14.61	12.74	12.15	11.83	10.08
Backlog	42,300	21,800	20,900	12,800	10,900

In all years prior to 1964, net sales, interest, profit (loss) of discontinued operations and backlog have been restated to reflect the sale in 1963 of a wholly-owned subsidiary and in 1964 of a division.

(1) Does not include the effect of issuing 7,110 shares of common stock in connection with the merger of the Benson Manufacturing Company as of November 28, 1965, which issuance was reflected in the accounts as of September 30, 1965.

(2) Adjusted for 5% stock dividend in October, 1962.

ARTHUR ANDERSEN & CO.

To the Stockholders and Board of Directors of Electronic Communications, Inc.:

We have examined the balance sheet of Electronic Communications, Inc. (a New Jersey corporation) as of September 30, 1965, and the related statements of income, surplus and change in working capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We had previously made a similar examination for the year ended September 30, 1964.

In our opinion, the accompanying balance sheet and statements of income, surplus and change in working capital present fairly the financial position of Electronic Communications, Inc. as of September 30, 1965, and the results of its operations and the change in working capital for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Andersen & Co.

Atlanta, Georgia,
November 24, 1965

ELECTRONIC COMMUNICATIONS, INC.

38th ANNUAL REPORT 1965

BOARD OF DIRECTORS

*C. K. BAXTER, President
The Donner Corporation
Philadelphia, Pennsylvania

*S. W. BISHOP, President
Electronic Communications, Inc.

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News-Press & Gazette Company
St. Joseph, Missouri

J. PAUL CRAWFORD, JR.,
Senior Vice President
Chemical Bank New York Trust
Company
New York, New York

*H. A. KROEGER, Partner
A. & H. Kroeger Organization
New York, New York

DUNCAN MILLER,
President
The Donner Advisory
Corporation
New York, New York

WILLIAM D. ROOSEVELT,
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Laird & Company, Corporation
New York, New York

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William H. Donner Foundation
Roanoke, Virginia

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Vice President
Electronic Communications, Inc.

GILL ROBB WILSON,
Vice Chairman
Electronic Communications, Inc.

*W. R. YARNALL, Chairman
and Financial Vice President
Electronic Communications, Inc.

**Member, Executive Committee*

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P. G. HANSEL, Vice President
— Engineering

C. L. LORD, Vice President,
Secretary and Treasurer

M. G. PURPUS, Vice President
and General Manager, Benson
Manufacturing Division

L. W. WILLEY, Vice President
— Operations

J. B. WILLIAMS, Vice President
and General Manager,
St. Petersburg Division

GILL ROBB WILSON,
Vice Chairman

W. R. YARNALL, Chairman
and Financial Vice President

T. G. B. EBERT, Assistant
Secretary

H. E. OWENS, Assistant
Secretary

T. F. PEPPEL, Assistant
Secretary

DIVISION MANAGEMENT

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J.B. WILLIAMS, Vice
President and General
Manager

Benson Manufacturing Division
M. G. PURPUS, Vice
President and General
Manager

Standard Precision Division
L. W. WILLEY, Vice
President and General
Manager

General Offices and
St. Petersburg Division
St. Petersburg, Florida

Benson Manufacturing Division
Kansas City, Missouri

Standard Precision Division
Wichita, Kansas

TRANSFER AGENTS

Registrar and Transfer
Company
New York and Jersey City

AUDITORS

Arthur Andersen & Co.

REGISTRAR

Chemical Bank New York Trust
Company
New York

GENERAL COUNSEL

Ballard, Spahr, Andrews &
Ingersoll
Philadelphia

